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ABSTRACT

The 12 states comprising the North Central Region have been affected in similar ways by the farm crisis of the 1980s. Statewide surveys show sizeable proportions of farm operations that are experiencing moderately high levels of financial stress. The problems caused by chronic stress on family structure and functioning, the loss of mainstreet businesses, and bank closing are felt throughout the region. The Cooperative Extension Agencies in the states have approached the problems in similar ways. They have developed new programs with long- and short-term efforts, and they have adapted existing programs with short-term or temporary activities and long-term commitments. Extension has been most heavily involved in developing new, relatively short-term programs such as the use of hotlines, crisis intervention teams, and bankrupcy or bank closing response teams. New, long-term programs include projects and research designed to achieve economic and agricultural diversification. The addition of resources to the existing farm management programs is a good example of an existing short-run program. Many existing, long-term Extension and research programs have been helpful in meeting immediate needs. This document provides 12 papers summarizing the farm crisis and programs designed to deal with it in each of the North Central states. Research needs are enumerated. (JHZ)

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# Farm Crisis Response: Extension and Research Activities in the North Central Region

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# Farm Crisis Response: Extension and Research Activities in the North Central Region

A Network Organized by
Paul Lasley and Rand Conger,
Iowa State University

The North Central Regional Center for Rural Development
1986

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# Contributors

Kathleen Beery, Assistant State Leader, Cooperative Extension Service, Iowa State University

John DeFrain, Associate Professor of Family Studies, Department of Human Development and Family, and Researcher, Agricultural Research Division, Institute of Agriculture and Natural Resources, University of Nebraska-Lincoln

William M. Eberle, Assistant Director, Community Development, Kansas State University Cooperative Extension Service

Jess Gilbert, Assistant Professor, Department of Rural Sociology, University of Wisconsin-Madison

Julie Hales, Evaluation Specialist, Michigan State University

Judy Heffernan, Research Associate, Rural Sociology, University of Missouri

Harlan Hughes, Extension Livestock Economist, North Dakota State University

Leroy Hushak, Professor, Agricultural Economics and Rural Sociology, The Ohio State University

Dixie Porter Johnson, Associate Professor of Consumer Science and Retailing, Extension Specialist, Purdue University

Robert W. Jolly, Assistant Dean of Agriculture, Iowa State University

Arlen Leholm, Extension Farm Management Economist, North Dakota State University

F. Larry Leistritz, Professor of Agricultural Economics, North Dakota State University

Ardelle Lundeen, Professor of Agricultural Economics, South Dakota State University

Kathy Mangum, Coordinator, Project Support, University of Minnesota

David R. Miskell, Associate State Leader, Agricultural Industry, The Ohio State University

John T. Pelham, Associate Director, Missouri Cooperative Extension Service, University of Missouri and Lincoln University

David C. Petritz, Professor of Agricultural Economics, Extension Specialist, Purdue University

Deborah Rood, Communications Associate, Managing for Tomorrow Program, Department of Agricultural Economics, University of Nebraska-Lincoln

H. J. Schweitzer, Assistant Director, Agriculture Experiment Station, University of Illinois at Urbana-Champaign

Glenn S. Thompson, Assistant State Program Leader, Agriculture and Agribusiness Program, University of Wisconsin-Madison

S. L. Ward, Director, Kansas Farmers Assistance, Counseling, and Training Service, Kansas State University

# Foreword

The magnitude and speed with which the present farm crisis has hit the midwestern states is perhaps unparalleled. The depressed financial and economic condition of agriculture in the North Central Region is well documented. How the farm crisis affects rural communities and rural residents, especially farm families in the region, is generally less well documented and understood. Because of the severe consequences of the farm crisis and the need for the land-grant university system to respond to this new set of conditions, the North Central Regional Center for Rural Development provided funds to bring together a group of Extension personnel and Agricultural Experiment Station scientists to examine and compare how the various land-grant institutions in the North Central region are responding to the needs of farmers and rural communities experiencing the present changes in agriculture. Specifically, the objectives of the Farm Crisis Network were (1) to review the activities of the land-grant universities in the North Central region designed to help individuals, families, institutions, and communities adjust to the new economic climate; and (2) to identify areas needing additional research and resources.

In talking with individuals from around the region, we became aware that many land-grant Universities were developing ameliorative programs on their own and that there was a need for researchers and Extension staff to exchange program ideas to estimate program effectiveness, and to communicate appropriate research findings. The project identified key individuals from each of the 12 North Central land-grant universities who were knowledgeable about both the research and Extension programs that had been initiated in response to the farm crisis.

The task proved to be a difficult one because of the number of people who are involved in each of the states. The Extension directors and Agricultural Experiment Station directors were each asked to appoint a person to serve on the network. Without the directors' cooperation and support this project would not have been possible. The network participants who wrote and presented reports often relied heavily on the work of colleagues and peers. We certainly appreciate the cooperation of all who shared their ideas and data with this project.

In mid-February, 1986, the network met for two days in Des Moines to review and evaluate the involvement of each North Central institution in helping meet the farm crisis. A goal of this project was to explore and stimulate mutual interest in those areas where collaborative efforts between the North Central land-grant universities might be possible. As the farm crisis broadens into other regions of the United States, we feel that many of the lessons the North Central states have learned may benefit those in other regions. As one reviews the responses of each institution, it is evident that the magnitude and the consequences of the farm crisis in regard to rural life has been dramatic.

The following reports were written to share with others the diversity of Extension and research activities. The authors were asked to limit their reports to 10 pages; thus the chapters are overviews or summaries of the activities.

Many observers have noted that the farm crisis has often resulted in families and communities "pulling together." The cooperation of the Experiment Stations, Extension Services, and the network representatives in the North Central region is evidence of a definite pulling together. We believe this volume contains the most current and comprehensive listing of the activities that have been initiated within the land-grant universities.

Paul Lasley
Rand Conger
Curtis Stofferahn

# Summary and Conclusions

The authors of individual reports in this volume note that farming has traditionally been a high risk enterprise. The analysis of present problems must recognize that the history of rural society and farming is characterized by crisis. A theme of environmental challenges pervaded much of the westward settlement--droughts, insects, disease, and other natural disasters. The early 20th century has experienced, also, economic crises. The agricultural stagnation in the 1917-1920 period was closely followed by the Great Depression. These periods of economic and natural crises might have accustomed farm people to misfortune. Yet the relatively stable period from the close of World War II to the early 1970s created a false sense of security prior to the period of great expansion in the mid-to-late 1970s which abruptly ended in the early 1980s and led to the present crisis.

Unlike previous periods of economic hardship, the farm crisis of the 1980s is unique in a number of important ways that makes intervention difficult. Some of the unique features of the farm crisis identified by the network participants include the following:

1. There is a lack of consensus that there is a crisis. Extension has placed effort into educational activities designed specifically to raise awareness of the magnitude of the problem and its likely consequences. In many areas some people still deny that a farm crisis exists.

2. There is a lack of understanding concerning the crisis' dimensions and magnitude. Unlike many disasters in farming where the consequences are readily visible and can often be objectively assessed, such as number of acres lost, number of diseased livestock, and so on, it is very difficult to obtain objective indicators of the extent of current difficulties.

3. The problem of labeling the crisis springs from the ambiguity of its causes. The farm crisis means different things to different people and is referred to as a farm, a rural, an agricultural, or a credit crisis.

4. There is a lack of agreement concerning the true victims of the crisis. Often those being adversely affected are viewed as "high rollers" or "poor farm managers." The "blaming-the-victim" syndrome is an element often identified in various types of crisis. Because there is no consensus that certain farm families are victims of events beyond their control, response efforts have been hampered or delayed. Previous difficulties in agriculture typically did not have to overcome this hurdle of convincing the public that it is indeed a crisis situation.

5. Closely related to the issue of societal definition that there are victims deserving of public support is the added burden of identifying the victims. In many previous agricultural crises, it was relatively simple to identify the victims. They were the people who lost their crops or had experienced another significant loss. Victims of these crises were generally quite visible and there was public agreement that they needed and deserved help. In the current economic downturn, it is very difficult to identify those who are being adversely affected from those who do not need assistance unless detailed financial information is available.

6. Another important dimension of the farm crisis is the problem that the victims are in different stages. Some farm families were adversely affected four or five years ago, while others are just now being impacted. Intervention strategies must recognize the subtle but important differences among farm families.

7. The diversity of victims in terms of farm size, enterprises, geographic location, and in terms of family characteristics such as number of children, stage in life cycle, level of education, and so on further complicates intervention strategies.

8. And finally, it is important to recognize that while the farm problem has been called a crisis, it is necessary to recognize that it is a chronic condition. Normally, crises are define as short-term, traumatic events, contrary to the long-term problem we face today. Already the farm crisis has existed four or five years, and recent estimates project that it will continue for another four or five years. It is quite likely the events we have called farm crisis may last a decade or more, which suggests it may become a chronic problem. As a result, intervention strategies must be able to respond both to immediate, short-run needs that develop as well as to the longer term problems that emerge.

### Continuities of Concern

The uniqueness of the present economic difficulties in agriculture is reflected in the chapters in this volume. Each of the authors describes a very similar set of problems resulting from this extraordinary situation. Many authors report the results of statewide surveys that show sizeable proportions of farm operations that are experiencing moderately high levels of financial stress. The magnitude of the financial problem is roughly the same across the North Central states. Each of the authors report on growing incidences of familial and community

problems that have been triggered by the economic upheaval.

Much of what the authors describe can be portrayed as the ripple effect of the farm crisis. The farm crisis has ever-widening circles of consequences. The problems of chronic stress on family structure and functioning, the loss of mainstreet businesses, bank closings, and the toll on community services and facilities are included in the ripple effect.

While the 12 North Central states each have approached the set of problems a little differently, there are many similarities in their responses. Some of the activities are new program thrusts with planned terminations (Cell 1), other programs are new directions but are viewed as long-term efforts (Cell 2). Within existing programs, some of the responses are viewed as short-run or temporary activities (Cell 3) that are part of a long-term commitment to the program area (Cell 4).

Program Thrust

| | New | Existing |
|---|---|---|
| Short Run | Cell 1 | Cell 3 |
| Long Run | Cell 2 | Cell 4 |

**New, Short-run Programs (Cell 1)**

Extension has been most heavily involved in responding to the farm crisis in new program efforts, many of which are being viewed as relatively short-term efforts that eventually will be terminated. Many of the activities in this model are emergency or intervention strategies which have been designed specifically for unique problems stemming from the farm crisis. Strategies such as the use of hot lines, crisis intervention teams, and bankruptcy or bank closing response teams would fall within Cell 1.

**New, Long-run Program (Cell 2)**

In several instances, states have initiated new programs which are viewed as long-run efforts. Included in this cell would be new Extension projects and research designed to achieve economic and agricultural diversification helping displaced families find new careers, and other such efforts to which a multi-year commitment has been made. Several new, long-term programs have been initiated or are being planned to address the long-term implications of the current crisis and to help individuals and communities adjust to the economic realities of the depressed agricultural economy.

**Existing, Short-run Programs (Cell 3)**

Within existing Extension and research programs, new resources have often been provided for renewed emphasis or reinforcement of continuing efforts. Perhaps the best example of efforts falling into this area is the financial counseling that is a part of the farm management programs. Each of the states has had a sustained commitment to farm management; however, with the onset of the farm crisis, resources have been added to handle the increased demand for farm financial counseling. Each of the states has developed short-run programs to respond to the needs for financial counseling. Generally it was felt that these programs would be continued in the future; but, as the demand for them wanes, the programs would be folded into continuing farm management activities. Similarly, several states have redirected their stress research and Extension programs to fit the uniqueness of the farm crisis. The farm stress thrust, however, is generally thought to be a part of the continuing program effort.

**Existing, Long-run Programs (Cell 4)**

The reports include a wide breadth of continuing, long-run Extension and research efforts that have been helpful in meeting short-run and immediate needs. Many states have been able to draw upon existing Extension and research knowledge in designing intervention efforts. It is essential that existing thrusts in home economics, agriculture and natural resources, community resource development, and youth be continued.

There are numerous examples of creative responses to the farm crisis which combine elements of Extension and research. In many cases, there are examples where inter- program teams have been formed to develop broad based responses to diverse needs. Numerous examples of states' responses highlight the benefits of the inter-program efforts. Another similarity across many of the activities has been inter-agency cooperation and the involvement of other groups with land-grant personnel. Extension personnel and agricultural scientists have frequently involved state and federal agencies, farm organizations, churches, voluntary organizations and local leaders in developing appropriate responses to unique needs of subgroups.

**Recommendations**

One of the great difficulties in developing an effective response to the current downturn in the rural economy has been our lack of knowledge about the nature, course, and individual adaptations (successful and unsuccessful) to previous crises of a similar nature. While there

are unique features in the current situation, economic cycles are a repetitive part of rural history and, just as we are likely to recover from the decade of the 1980s, there will be other economic reversals in the future. The failure to systematically study individual, family, community, state, and regional adaptations to the economic difficulties of the 1920s and 30s left us with few skills in our repertoire of interventions to meet the current crisis. We need to immediately develop comprehensive programs of applied and basic research to improve our understanding of which strategies at the individual or community level lead to the most successful outcomes in response to rural economic hardship. Such research has important implications for the present as well as for future fluctuations in economic conditions.

To assist in effective planning for such future research and programming, in addition to describing the activities their states have initiated, the participants were asked to identify future research and Extension priorities. Just as rural communities were ill-prepared to adjust to the economic upheaval, researchers and Extension staff have often found an "empty cabinet" when they have gone to their "tool chest" for answers about specific questions. The farm crisis has brought new challenges to the land grant system. But it has also unearthed many important research and Extension questions which can be viewed as opportunities. There are many fruitful areas of inquiry identified by the network members. Listed below is a summary of their recommendations for future research and Extension program focuses.

1. What can be done to ease the transition of the displaced farm families?
   - What coping skills are needed?
   - How can career options be identified?
   - How can large numbers of displaced farmers be retrained?
   - How do family ties and relationships facilitate successful transitions?
   - What are transition paths of displaced farm families?

2. What are the policy linkages between the farm crisis with international and national decisions?
   - What role should Extension perform in public policy education and formulation?
   - What will be the impact of the changing structure of agriculture on rural communities?
   - How can we assess the consequences of policy choices?

3. What can be done to promote community viability?
   - What is meant by a viable community?
   - What is needed to achieve a viable community?
   - How can volunteers, local leaders, and visitation teams be used to achieve local development?

4. How can small business development be promoted?
   - How can "entrepreneurship" be developed?
   - Is retention and expansion of local business a viable strategy and how can it be developed?
   - Is economic development and diversification a viable strategy and how should it be promoted?
   - How can and how should small business management skills be improved?

5. How can profitability in agriculture be regained?
   - How can the input factor mix of capital, labor, and management be used more efficiently?
   - Can export markets be expanded and at what cost to farmers?
   - How can we increase the value added component of agricultural commodities?

6. What will be the impacts of technology for rural communities and the structure of agriculture?
   - Will biotechnology only add to our already existing problems of overproduction and overcapitalization?

7. How can communities adjust to the new economic conditions?
   - How can the community population be retained?
   - How can local employment opportunities be expanded?
   - How can chronic poverty be alleviated?
   - How can the emergence of social problems be effectively addressed?

8. How can local leadership be developed to address the new economic conditions?
   - What can local leaders do to promote agricultural development?
   - How can intra-community linkages be used to promote regional development?
   - Can Extension address the type of structure of agriculture rural areas want through leadership development?
   - How can leadership development promote local economic viability?
   - What part should leadership development play in public policy education?

9. How can Extension increase its outreach to new audiences?
   - What techniques can Extension use to reach new clients?
   - How can Extension make use of volunteers?

- What creative delivery methods can Extension use?

10. What are our professional responsibilities as Extension personnel and Experiment Station researchers?

    - What should be our role as professionals in the context of the farm crisis? Do we help advocate, adjust, ameliorate, or cope?
    - Where do our professional obligations lie?
    - What goals should guide our research, programs, and policies?

11. How can we help farm families to cope with financial difficulties?

    - What are effective intervention strategies?
    - What are effective delivery systems?

12. How do we measure program effectiveness?

    - How should programs be evaluated?
    - How should program evaluation be built into existing and new programs?

Each of these topics have important research and Extension components. While this is undoubtedly an incomplete listing of the issues, the Farm Crisis Network participants felt these were some of the major issues that will confront rural America well into the 21st century. If you have an interest in developing an Extension or research project on one of the many issues identified by the network, you are encouraged to contact the members.

The future of the farm economy is uncertain, but the future of the land-grant system rests upon our ability to respond to the needs of our client groups. This project hopes to stimulate further collaboration and dialogue on the important transition underway in American agriculture and rural communities.

# Extension and Research Programs on Rural Financial Stress in Iowa

by Kathleen Beery and Robert W. Jolly

## CURRENT CONDITIONS

Financial conditions of Iowa farmers in 1985 conformed closely to national averages. Approximately 30 percent of farmers were experiencing financial stress--cash-flow problems, sharp losses in net worth, and reductions in standards of living. This group of financially stressed operators controlled more than two-thirds of the outstanding farm debt. Information on Iowa farm financial conditions is given in Table 1. Recent research indicates 15 to 20 percent of Iowa's agricultural assets will be liquidated, as farmers either restructure their businesses or fail and leave the sector. The total loss in commercial farm operations could be as high as 25 percent per year. If asset markets function at their historical rate of 2 to 4 percent, financial stress may continue until the end of the decade. This adjustment process would be accompanied by direct financial losses to lenders and agricultural businesses that had extended credit to farmers. In turn, mainstreet businesses and local governments would experience the impact of reduced income and tax revenues.

## NEEDS AND PROBLEMS OF FARM FAMILIES AND RURAL COMMUNITIES

Farm families, when faced with rapid and unexpected economic change, may require assistance. Farm businesses must be adjusted. The management changes may be relatively modest--improving cost control in certain enterprises--or they may require extensive financial restructuring--selling assets, renegotiating land contracts, or obtaining off-farm work. These changes are difficult to plan, often have tax or legal dimensions, and require adjustment in family goals and relationships.

Policy makers and government officials have little experience in dealing with widespread financial stress. At the outset of the financial crisis in the early 1980s, data were not available to assess farm and rural financial conditions. Nor were there any proven policies that might be used to ameliorate financial stress. Agriculture had not experienced this type of problem for at least 50 years.

Rural communities were also not prepared for rapid economic change. Many agricultural businesses, such as machinery dealers or shortline equipment manufacturers, essentially disappeared over a two-year period. With them went off-farm work opportunities and a rural payroll. Mainstreet businesses that geared up during the 1970s boom needed management assistance just as farmers did to adjust to lower sales and greater debt service. Declining tax revenues and increasing demands for social assistance caught community officials and leaders in a cost/price squeeze farmers would readily recognize.

The financial impacts on communities and farms have created tremendous problems for the individuals and families involved. Increasingly, families have experienced despair as they attempted to save their farms and rural way of life. The uncertain future in agriculture has caused stress and anxiety for nearly all Iowa farmers.

Family and individual problems have been evidenced in many ways. Farm family members expressed concern about their increasing levels of stress in an Iowa State University farm poll. The following statistics pertaining to use of human services indicate increasing problems for rural families:

- Respondents in a random survey of approximately 1,800 farm families in the Iowa Farm and Rural Life Poll (Lasley, 1985) indicated that stress had become an everyday problem. Increased levels of stress were felt by seven out of ten respondents in the last three years. About 60 percent said they experienced either a great deal or some stress every day. A majority were moderately or very concerned about their personal stress levels.

  Families have felt increased levels of stress due to the deteriorating financial conditions and forced changes in their lifestyles. The majority of families perceived that their financial condition had worsened from 1984 to 1985. According to the poll, only 6 percent said their financial position had improved. Families postponed major purchases and decreased spending for family living, including adjustments to transportation, entertainment, food, and utilities. Ten percent were not able to pay property taxes. In order to manage the budget, slightly more than one-fourth said they sold possessions, cashed in insurance policies, or postponed medical care.

- The number of farm families receiving food stamps is at an all-time high in Iowa. Farm recipients increased from 500 in July 1984 to over 2,000 in March 1986. Maintaining basic family needs has become a severe problem for these families. Many farm families who need this program do not qualify due to financial guidelines which are restrictive for self-employed persons.

Table 1. Average 1985 Financial Condition of Sample Iowa Farm Operators by 1985 Debt-to-Asset Ratio

| | Debt-to-Asset Ratio (%) | | | | | |
|---|---|---|---|---|---|---|
| | 0-10 | 10-40 | 40-70 | 70-100 | 100+ | All |
| **Financial Characteristics** | | | | | | |
| Assets ($1000) | | | | | | |
| Non-Real Estate | 136 | 166 | 236 | 156 | 85 | 166 |
| Real Estate | 282 | 375 | 420 | 348 | 152 | 340 |
| Total | 418 | 541 | 656 | 504 | 237 | 506 |
| Debts ($1000) | | | | | | |
| Non-Real Estate | 6 | 44 | 121 | 143 | 190 | 60 |
| Real Estate | 4 | 82 | 238 | 251 | 124 | 101 |
| Total | 10 | 126 | 359 | 394 | 314 | 161 |
| Net Worth ($1000) | 408 | 415 | 297 | 110 | -77 | 345 |
| Debt-to-Asset Ratio (%) | 2.4 | 23.3 | 54.7 | 78.2 | 132.5 | 31.8 |
| **Operator Characteristics** | | | | | | |
| Age | 59 | 54 | 48 | 46 | 45 | 54 |
| Years in Farming | 35 | 29 | 25 | 23 | 22 | 29 |
| Dependents | 2.4 | 3.1 | 3.5 | 3.7 | 3.3 | 3.0 |
| Dependents under 18 years | 0.3 | 0.8 | 1.1 | 1.4 | 1.2 | 0.7 |
| Husband Education* | 2.2 | 2.3 | 2.4 | 2.3 | 2.4 | 2.3 |
| Wife Education* | 2.4 | 2.4 | 2.5 | 2.4 | 2.4 | 2.4 |
| Acres Owned | 235 | 280 | 295 | 271 | 159 | 261 |
| Acres Rented | 114 | 172 | 285 | 302 | 326 | 193 |
| Acres Operated | 327 | 430 | 562 | 539 | 484 | 433 |
| Off-Farm Income | $7738 | $5795 | $6621 | $5574 | $9426 | $6779 |
| **Percentage Distribution** | | | | | | |
| % Operators | 35 | 32 | 21 | 7 | 4 | 100 |
| % Assets | 29 | 34 | 28 | 7 | 2 | 100 |
| % Debts | 2 | 25 | 48 | 17 | 8 | 100 |

*Educational attainment, highest level attended
1 = grade school; 2 = high school; 3 = college or vocational

SOURCE: 1985 Iowa Farm Finance Survey.

- During 1985 client contacts with mental health centers increased dramatically in some rural areas of Iowa. Statewide data on client contacts at community mental health centers were not available because the system is decentralized. In a survey of 5 out of 34 mental health centers, however, a 30 percent increase in demand for services was reported. One could speculate that this was due to increased needs for this service, but it also may have been an artifact of increasing acceptance of mental health assistance. In the past farm families have not typically sought mental health assistance.

The need for assistance in coping with financial stress has been pervasive throughout Iowa. Major needs include reliable information on financial, economic, and social conditions; assistance in planning and decision making; emotional support for families and individuals experiencing stress; legal services; upgrading of professional skills for financial and helping professions; coordination of human and education services for farm families; assistance in policy design and evaluation; and direct financial aid.

## RESEARCH AND EXTENSION RESPONSE

### Historical Background

In January and February 1980 a series of statewide Extension programs for farm families was organized. This effort was in response to rising interest rates, stemming from the Federal Reserve's October 1979 decision to severely restrict the rate of money supply growth. Credit for spring planting was in short supply and the cost of operating money rose sharply. The objective of this Extension program was to familiarize farmers with cost control options, use of commodity programs, debt restructuring, and related adjustment strategies.

From 1980 to 1983 Extension programs on financial adjustment continued using traditional delivery methods. A series of articles on cost control and financial management was prepared for Wallace's Farmer in 1982. Regular Extension meetings such as crop clinics or cattle feeder programs began to emphasize cost-reducing technologies as a response to financial stress.

In the fall of 1983, with widespread drought in southern Iowa, financial conditions took a significant turn for the worse. Farmers and lenders began to require direct assistance in financial planning. Consequently a pilot financial counseling program was developed for Iowa counties south of Interstate 80. Area management specialists and selected county agriculturalists were trained in financial adjustment planning. The FINPACK computer program developed at the University of Minnesota was employed in this project. At that time FINPACK was a mainframe program and could only be accessed through telephone connections. Software was developed to permit Extension microcomputers to serve as intelligent terminals.

Several hundred farmers were assisted during the winter of 1983-84. It became obvious that financial counseling played a critical role in helping families cope with change. However, area Human Development specialists began to recognize needs that were not being completely met by the financial counseling. Management specialists needed help in communicating with stressed farm families. The families sometimes seemed to benefit from financial counseling and on other occasions scarcely participated in the analysis process. Clearly a better understanding was needed of the impact financial failure had on farm families. Area and state specialists in Family Environment and Child Development began to develop a comprehensive Extension program on emotional stress in farm families, communication, grieving models, and related topics.

After some urging from Extension, the state legislature appropriated $200,000 in 1984 to support programs directed toward the farm financial crisis. The ASSIST program was developed by a task force of Extension specialists in response to this special appropriation.

ASSIST built on earlier experiences in programs for financially stressed families. Four major thrust areas were initially defined: (1) Awareness efforts to inform local community leaders about the scope and impact of the deepening farm crisis on rural Iowa, (2) Indepth financial counseling for farmers that helped them explore possible restructuring or reorganization plans, (3) A series of agricultural credit short courses for lenders and other professionals that emphasized farm financial planning and stress management, and (4) Development of community resource committees to assist individuals, agencies, and volunteer organizations to deal effectively with farm financial difficulties. These major program areas have been revised and strengthened based on research findings and in-field teaching experience.

### Research Activities--Economics

In January 1984 the Dean of the College of Agriculture appointed the Farm Financial Stress Task Force. The charge to this group was to document financial conditions in Iowa, examine the need for public intervention, and design and evaluate prototype policy instruments should intervention seem appropriate. The task force has been active since its inception. Major accomplishments include:

- Documentation of financial conditions of farmers, agricultural businesses, mainstreet businesses, and communities. The task force conducted one of the, if not the, first farm financial surveys in the United States. This report was released early in 1984 and provided information about the extent of financial stress and the characteristics of involved farm families. Similar surveys were conducted for agricultural and mainstreet businesses.

- Analysis of sectoral restructuring requirements for the United States and Iowa. This project used survey data in conjunction with financial simulation models to estimate the impact of financial stress on the agricultural sector. Estimates included the volume of asset liquidation, financial loss, and farm failure rates.

- Design and evaluation of financial policy. The financial crisis caught policy makers without data and without proven intervention techniques. Members of the task force were actively involved in identifying needed forms of assistance, conceptualizing programs, and estimating the costs and benefits of interventions.

- Impact of financial failure on farm families. The fate of displaced farmers in Iowa was examined through an ongoing survey conducted by task force members with the cooperation of the Extension field staff. This unique data set gave insight into out-migration and unemployment among displaced farmers. It also provided preliminary information on the disposition of their assets and the likely structural impacts of financial stress.

**Research Activities--Stress**

A number of research projects have been undertaken to study the incidence and effects of stress on those affected by the farm crisis. These projects include:

- Stress among farm wives. Indepth interviews with a sampling of Iowa farm wives indicated increasing levels of stress among those who have traditionally been the caretakers in families. Harmelink (1986) interviewed 11 farm women across Iowa during the fall and winter of 1985-86. Aside from the financial concerns, the major stresses of these farm women were a result of their multiple roles and of not having enough time and emotional support for themselves. In 10 of 11 interviews the women felt like equal partners in farm operation. But even though they felt equally involved, their stresses were different from male farmers'. Being the primary caregiver for others resulted in additional stresses arising from concern for who will care for them.

- Family stress in the middle years. Iowa State University participated in the North Central regional research project to study stress in families. A teaching packet entitled "Dealing with Blame: Help for Farm Families in Crisis, Leader's Guide and Lesson Plan" was developed based on the findings.

- Farm family stress. A study of farm-related stress was conducted by Randy Weigel, from which a publication series on farm stress was developed (Weigel 1983).

Intergenerational farm stress was examined in a study conducted by Dan Weigel, Randy Weigel, and Joan Blundall, Extension specialists in Child and Human Development (Blundall, Weigel, and Weigel 1986).

**PROGRAMS FOR FARM FAMILIES IN FINANCIAL DIFFICULTY**

This section summarizes the educational programs which the Iowa State University Extension Service has initiated in meeting the needs of families, individuals, and communities affected by the financial problems of agriculture. The programs reported here were supported by regular Extension funds from federal, state, and county sources; special project funds from USDA; a special appropriation from the Iowa General Assembly; and donations from private organizations and individuals.

Extension's programs targeted to distressed rural families are included under the response called ASSIST. It currently consists of four parts: (1) FarmAid--individualized financial analysis, (2) personal support and stress-management programs, (3) community action groups, and (4) educational sessions for professionals and community leaders. The Rural Concern Hotline was developed to serve as an interagency response to farm families. It is integrated not only with Extension's program plans but also with the other public and private responses to the farm crisis.

The ASSIST program has evolved from the original plan as problems and issues faced by farm families and rural communities were identified. Program efforts pertaining to personal support, stress management, and community response were difficult to conceptualize and have required multiple, creative approaches. Staff members have been crossing disciplinary lines and working in new arenas. Extension has examined other resources for rural families and as a result established collaborative efforts, such as the Rural Concern Hotline.

Accomplishments of the different programs are summarized below. A general overview of the number of clients participating in various programs is listed in Table 2 for the period October 1984 through December 1985. A total of 99,800 client contacts were documented as a part of the ASSIST effort. The largest number of contacts (34,387) came through awareness meetings.

During the same period stress-management and stress-related program contacts totaled 20,184. Financial information and assistance was provided to more than 10,000 farm families. The contacts were fairly evenly divided among those served via the Rural Concern Hotline, those participating in the computerized farm financial counseling program, and those helped through traditional programming for financially distressed farm families.

Table 2. ASSIST Clients by Type of Subject Matter Contact--October 1, 1984 to December 30, 1985

| | |
|---|---|
| Awareness meetings | 34,387 |
| Public policy meetings | 410 |
| Stress-management/support groups | 20,184 |
| Farm financial analysis | 9,470 |
| Financial and legal assistance--Rural Concern Hotline | 11,900 |
| Agricultural credit short course | 507 |
| Community resource committee participation | 1,176 |
| Production agriculture | 11,803 |
| Family resource management | 7,572 |
| Other | 2,391 |
| TOTAL CONTACTS | 99,800 |

**FarmAid--Farm and Family Financial Management**

FarmAid is a major component of Extension's ASSIST program. FarmAid provides individual farm financial assistance with the aid of the FINPACK microcomputer software package. Business and enterprise records are used to project outcomes of different decisions and alternatives.

Both individual counseling sessions and group meetings have been used successfully with clients. The majority of consultations have been on an individual basis. Clients have the option of meeting at a county Extension office or on their own farm. For reasons of confidentiality many chose to have the agricultural staff member come to their farm. Different staff members conduct the analysis sessions, including area farm management specialists, temporary Extension associates who have a background in farm management, and county agriculturalists.

At least two sessions are held--one to record the necessary information for analysis and a second to review the findings from the farm operator. The sessions last 2-6 hours, with many families returning for additional help. The Home Economics staff member may become involved during this time on problems related to stress management and family budgeting.

During FY85, 3,142 farming operations received detailed individual counseling through FarmAid using a computer. From October 1985 to March 1986 staff worked individually with an additional 2,600 families. During that entire period of time an additional 3,728 families who were experiencing financial difficulties received financial management assistance without the aid of a computer.

A sample of clients in FY85 was contacted to determine the usefulness of the program. Approximately 90 percent said they received both answers to questions and help in making decisions. Ninety percent noted the value of the program as "moderate" to "high." The following table shows some of the benefits participants identified and the percentage of participants who identified each:

| Benefits | Percentage of Participants |
|---|---|
| Improved planning | 83 |
| Increased Analytical skills | 75 |
| Improved morale | 65 |
| Increased confidence | 72 |
| Improved decisions | 78 |
| Reduced family stress | 56 |

As a result of participating in FarmAid, 77 percent said they had made minor adjustments in their farming operation and 41 percent said they had made major adjustments. Many clients informally indicated that they would not have been able to secure further loans without the assistance received through the Extension FarmAid program.

**Personal Support and Stress-Management Programs**

One of the ripple effects of the financial crisis is the emotional toll on farmers, their families, youth, and others who are affected in the rural community. Farm and other rural families have needed assistance in communications, decision making, and stress management. Local professionals who work with farm families have not always understood the dynamics involved in attempting to cope with these problems, nor how they might be of assistance to those affected.

This programming area has been difficult to conceptualize and implement. Initial efforts included workshops and a home-study course on stress management. Programs have since become more focused in terms of problems and specific audiences. The following is a summary of the personal support and stress-management programs:

- Stress-management workshops and individual assistance. A home-study course entitled "Stress on the Farm" was developed. Home-study materials as a delivery method have an advantage over meetings in that people do not have to publicly acknowledge that they are affected by personal stress levels.

  Meetings and workshops have also been conducted on stress-management. A majority of the meetings have been agriculturally oriented, with a section included on stress management.

- Self-help groups for farm families. The development of self-help groups has been fostered by Extension through the development of a learning packet and training in use of the materials. Extension staff assume various roles with the self-help groups; they recruit members,

train small groups to use learning packets, provide subject matter assistance upon request from the group, and help link these groups with other helping professionals. In theory, the groups are designed to be organized and maintained by lay people. A self-help group is defined as any group which offers emotional support and practical help with a problem that is common to all members.

There are other types of support groups functioning in Iowa. Those coordinated through community mental health centers typically are facilitated by mental health professionals. Others tend to focus more on advocacy and empowerment of individuals and groups.

- Stress among youth. Young people are exhibiting many signs of stress, ranging from atypical behavior in school to troublesome relationships in the home. Some programming efforts have been for the youth themselves, but the majority have been for adults working with youth.

  A teaching module entitled "Rural Crisis Comes to School" has been used with a significant number of public school teachers. The purposes of this program include: (1) creating an awareness of the problems in Iowa's agricultural community, (2) developing an understanding among professionals of the symptoms of stress in youth, and (3) assisting educators in developing their helping skills.

  An outgrowth of this activity has been special programs for youth on stress management led by classroom teachers. Extension staff have provided supportive teaching materials. A 4-H program entitled "The Natural Me" has been piloted in twelve areas across the state. This program focuses on enhancement of self-esteem and personal decision-making.

**Community Action and Involvement**

The farm crisis evolved from actions and policies external to local communities. Rural families caught up in the crisis have a sense of powerlessness. Further significant economic assistance to families in crisis is unlikely to be provided by the government. Consequently, it is critically important that local communities respond to local needs. Community resource committees or action groups were suggested as a means of mobilizing local resources.

One of Extension's initial efforts was to conduct area awareness meetings. The meetings' primary objective was to educate Iowans about the nature and extent of farm financial problems and their impact on the rural farming community. After the initial set of meetings, lay people involved with the resource committees helped to plan many others. In the past year and a half over 34,000 people have participated in awareness meetings.

County resource directories have been developed in the majority of counties. These were developed not only to create awareness of private and public resources but also to foster interaction among the various groups. In many cases it has provided a reason for discourse among groups. In some counties, community resource committee members have been actively involved in developing and disseminating the directories. Elected officials have requested copies and have found them to be of great use. The directories have been a good vehicle for extending the visibility of the Extension Service.

Community resource committees have been formed in over one-half of Iowa's counties. These groups have used their own creativity and resources in initiating projects and activities to address local issues and concerns. Similar groups are present in most other counties and are assisted by the Extension staff as requested.

Community resource committees have carried out a variety of activities. One of the more ingenious activities was the "Pass the Potatoes" project of the Marshall/Tama counties committee. Twice in the past year they have obtained over 40,000 pounds of potatoes from the Society of St. Andrew and distributed them to families in less than 72 hours. This same group has also raised $10,000 for a farm family emergency medical fund. In Taylor County, resource packets including directories have been prepared and hand delivered to every farm household in the county by clergy and lay people. Two committees in southern Iowa developed a proposal for a VISTA grant to help area farmers and citizens adversely affected by the agricultural crisis. The proposal was funded for hiring 10 VISTA volunteers and a supervisor to help in eight southern Iowa counties.

Other projects which community resource committees have carried out during the past year have included:

- Establishing a county-wide development corporation
- Conducting surveys on labor availability and needs assessment
- Establishing peer counseling groups
- Conducting public awareness meetings
- Establishing food banks or pantries
- Conducting food stamp registration opportunities for farmers
- Writing and obtaining grants for small, interest-free loans
- Assessing family stress needs and how stress is affecting youth in their county

In January 1985 a two-hour videotape entitled "Rural Families: Taking Charge in Changing Times" was cooperatively produced by state agencies and delivered to over 24 sites in Iowa via satellite downlinks. Over 1,500 people viewed the program and had an opportunity to talk with local resource people. The video included the following topics: stress and grief, legal and tax issues, economic update, and services available to rural families.

County resource committees have been action-oriented in some counties and advisory in others. They have accomplished tasks which Extension staff could not do alone.

**Educational Sessions for Professionals and Community Leaders**

The economic difficulties have altered business, personal, and family relationships. New information and skills are needed as professionals and community volunteers work with farm families. One of the ways that Extension can extend its resources is to provide training for others so that they can more effectively work in this arena.

Clergy have requested programs on communication, helping skills, and background information on the economic problems. Mental health professionals have cooperated with these educational sessions. Some of the clergy have become actively involved in individual counseling and support groups. A unique newsletter for clergy was developed to create a greater understanding of these problems and explore options for supporting rural families.

Peer listeners have been trained by Extension and mental health professionals. The volunteers list their phone numbers in newspapers, agency newsletters, and through the hotline.

Various educational sessions have been conducted for lenders. Some have dealt with financial, legal, and communication topics. A teaching packet entitled "Farmers and Lenders Working Together" includes a videotape and teaching outline. It focuses not only on managing the lender's personal stress but also on working with highly stressed clientele.

4-H club volunteers have received training in working with youth who are under stress. A special television program via satellite broadcast dealt with alternative options for 4-H projects which were lower in cost.

A teaching packet which included a videotape entitled "Communication Skills for Office Assistants" was developed to help secretaries and receptionists work with farm families. The importance of their role as the first contact was emphasized. Communication and other helping skills were covered.

The four programming areas of ASSIST have been complementary. Experience with farm families has indicated that a variety of information and support systems is necessary as they cope with these rapid changes.

**Rural Concern Hotline**

In December 1984, public and private groups recognized that farm families needed immediate help in coping with their rapidly escalating problems. Families were not well aware of existing resources in the public and private sector.

The Rural Concern Hotline was developed to provide information, referrals, and counseling for farm and family financial problems, legal problems, individual and family problems, job questions, and basic needs for food, fuel, shelter, and medical assistance. Rural Concern is a confidential service administered by Iowa State University Extension in cooperation with the Iowa Department of Human Services and United Way of Central Iowa. Funding is provided from several public and private sector sources.

Since February 1985, Rural Concern operators have handled over 14,000 calls from Iowa farm families and rural residents. Callers have multiple problems, but the majority involve financial/legal issues and their ramifications. Accompanying the financial concerns are a variety of intermeshed problems, including marital discord, parent/child conflicts, substance abuse, and physical ailments. Families are faced with critical decisions about continuing the family farm operation or seeking other career opportunities.

The number of phone calls has varied depending on the time of year. The average number of calls for June through August 1985 was 500 per month. For January through March 1986, as farmers were seeking credit and making plans for the next season, the monthly average increased to 1,600 calls. The number of emotionally stressed callers increased, from 10 percent of the total in June 1985 to 20 percent in March 1986. The higher stress levels coincided with the period of intensive decision-making.

Nature of calls

Following is a list of the types of calls handled by operators in March 1986. The figures represent what percentage each type was of the total number of calls. The percentages exceed 100 percent because any one call may be listed under various categories.

| | | | |
|---|---|---|---|
| Financial | 88 | Policy Issues | 7 |
| Legal | 68 | Educational/Employment | 5 |
| Emotional | 22 | Family | 7 |
| Basic Needs | 7 | | |

### Referral system

Hotline operators refer callers to various Iowa organizations and agencies. Many callers are referred directly to Extension's ASSIST program for financial management consultation and stress-management help. Lender referrals are made to the Farm Credit System, the Iowa Bankers Association, and the Farmers Home Administration. Most legal calls are handled by the Extension staff attorney. In many cases Rural Concern is linking farm families with services unfamiliar to them, such as the Iowa Dislocated Worker Program, community action programs, mental health centers, and the Iowa Department of Human Services for basic needs of food, shelter, and medical help.

Following are the total numbers of referrals made to other groups since the beginning of Rural Concern:

| | |
|---|---|
| Legal (staff attorney and volunteer attorneys) | 5,003 |
| Family/personal needs | |
| Mental health center | 257 |
| Human services | 514 |
| Comm. action programs | 206 |
| County health RN | 87 |
| Support groups | 232 |
| Extension (ASSIST) | 1,020 |
| Job-related | |
| Dislocated worker | 204 |
| College/university | 183 |
| Job service | 189 |
| Placement agencies | 189 |
| Lenders | |
| FmHA | 265 |
| Farm Credit System | 104 |
| Iowa Bankers Association | 9 |

### Current needs and direction

During the past year many callers have not been able to face their problems and explore alternatives. They have been in a stage of loss called denial. While in the stage of denial the person wants to avoid thinking about or dealing with the situation. Hotline operators are now talking with more people who are moving out of the denial phase and are seeking information on alternatives.

The need for Rural Concern is strong and will likely continue to increase as agricultural debt problems intensify in 1986. Rural Concern provides an immediate, confidential, and nonpartisan linkage of private and public services to farm families in distress.

## RECOMMENDED PROGRAM AND RESEARCH EFFORTS

The financial and social transition of rural communities and farm families in response to the financial crisis will continue in Iowa for at least the next four to five years. The potential loss in the number of farm families will have a significant impact on rural communities. Coping with financial adjustment problems presents the most immediate challenge. Others remain to be confronted.

### Challenges Facing Rural Iowa

Rural Iowa faces an extended period of change. Forces within Iowa and outside will impact families, communities, and the agricultural sector in general. The following issues will need to be considered:

- Many of the human and social costs are just beginning to surface. Human service support systems such as the food stamp program, mental health counseling, fuel assistance, and medical programs will be in greater demand as families make lifestyle changes. Programs will be needed to help people develop new career and lifestyle plans. Stress-management and communication programs, as well as personal support systems, will be needed during these times of change and loss.

- Excess capacity in agriculture must be resolved, either through expansion of markets or withdrawal of resources. The latter course of action requires long-term land retirement and the transfer of farm labor to other industries.

- New technologies that will enhance agricultural productivity may improve Iowa's competitive position in the long run but will certainly exacerbate excess capacity problems in the near term.

- Changes in national economic policy will affect Iowa's ability to earn income, to compete in foreign markets, and to service debt. We need to understand the economic linkages between the national economy and Iowa.

- Economic development probably offers the most opportunity for maintaining a high quality of life in rural Iowa. Farms will continue to move toward the extremes--very large or very small. Consequently many Iowans who remain in rural areas will need off-farm jobs. We know very little about why and how rural areas like Iowa develop economically.

- Preservation of soil and water resources will strongly influence long-term agricultural productivity in the state. These issues are easily overlooked in the short run but result in almost irrevocable change in the long run.

Dealing with these issues and dilemmas will require a multidisciplinary approach. Extension has technical information and support systems to deal with some issues and for the others it will provide alternatives on policy direction.

## Direction for Extension and Research Programs

Future program efforts

The following programs will be continued and strengthened for rural families facing economic difficulties:

- interagency educational programs to assist families with career and life transitions
- development of self-help groups and peer listeners to provide support to families experiencing financial difficulty
- educational programs to help other professionals and community leaders better deal with the affected youth and adults
- farm and family financial management assistance
- facilitation and support of community resource committees

Much of Extension's program efforts have been directed toward those families who are in financial jeopardy. The next step is to take a proactive stance and assist those families with a high likelihood of remaining in farming. Educational materials for a program called the Farm and Family Management Program are currently under development. The program will be targeted to younger farm couples who need improved management skills. Participants will attend meetings, participate in small group work sessions, and consult individually with staff. The educational program will cover farm and family financial management, production management, marketing, goal setting and decision-making, and leadership development.

Future research directions

Research studies in the following areas would provide support for needed Extension programming:

- assess social and economic impacts of financial stress on rural communities
- examine the effects of rapid social and economic change on family systems
- design and evaluate economic development strategies for rural Iowa
- develop farm management techniques appropriate for the 1990s
- examine the impacts of financial adjustment on the structure of Iowa agriculture

The challenges facing rural Iowa are significant. We believe, however, that Iowa State University can play an important role in helping Iowa meet these challenges. Research and Extension programs that assist families in solving problems and improving their quality of life must be supported and developed.

## MATERIALS FOR PUBLIC DISTRIBUTION

Publications, film strips, and slide/tape programs are available on many topics within the following categories:

- Agriculture and Natural Resources
- Business
- Financial Management
- Food and Nutrition
- 4-H and Youth
- Housing and Energy
- Human Development and Stress
- Marketing

These materials are available free or at low cost from county Extension offices or Publications Distribution, Iowa State University, Ames, Iowa 50011. Publications to support the Neighbor-to-Neighbor Self-Help Support Group program are available from the same sources.

Financial management computer software packages, each containing a diskette and documentation, are available from county Extension offices or 108 Computer Center, Iowa State University. Most sets are priced at $15.

A number of videotapes addressing the farm crisis are available for purchase or rental from Wilma Myers, Media Resources, Iowa State University (515-294-1540). Purchase prices vary but rentals are $8.50 + shipping. Tapes come in 3/4" or 1/2" VHS.

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# Illinois Extension and Research Response to the Farm Crisis

by H. J. Schweitzer

## INTRODUCTION

### Overview of Situation

#### Crop Reporting Service Survey

About 5 percent of 885 Illinois farmers responding to a survey by the Illinois Cooperative Crop Reporting Service in early January indicated that they would be leaving farming during 1986. Among the 95 percent who indicated they planned to stay in farming, however, about 30 percent carried debt-to-asset ratios above 40 percent and faced moderate to severe financial stress. Slightly more than one-fourth (26.2 percent) of the farmers reported no debt; 44.3 percent had debt-to-asset ratios below 40 percent; 18.2 percent had ratios between 40 and 69 percent; and 11.2 percent were in the 70 percent and above category. The highest debt-to-asset ratios were for those in the northwest, west, east, southeast, and southwest crop-reporting districts.

The average farm had gross sales of $89,286, production expenses of $68,798, and a net farm income of $20,488 from an average of 418 acres. The income figure represents the average disposable income that farmers had available for living expenses and to make capital replacement and debt principal payments. It does not, however, take depreciation into account. If an average of $30 per acre for depreciation is deducted, the income figure drops to $7,948 for the 418 acres. Total debt per farm averaged $116,911; real estate debt averaged $71,357 per farm; all other debt averaged $45,554. Total assets per farm averaged $379,912--$221,266 in real estate assets and $158,646 in all other assets. Average interest paid per farm was $11,113 and accounted for 16.2 percent of the average total expenditures.

#### Farm Business Farm Management Records

Studies of 1985 records from 3,607 farms in the Illinois Farm Business Farm Management Service show that farm operator "salaries"--what they earn for their labor and management--remained relatively low for the state as a whole. Labor and management income, the operator's cash wage, is defined as net-farm income reduced by an interest charge for use of debt-free or equity capital. Operator labor and management income for the 3,607 farms averaged $9,035 for 1985.

There were wide fluctuations, however, depending on location and type of farm. For example, 512 central Illinois grain farmers, on the higher-rated soils, harvested record high corn (171 bushels per acre) and soybean (54 bushels per acre) crops, resulting in labor and management incomes that averaged more than $20,000 per operator. Labor and management incomes for northern, western, and southern Illinois operators, however, were lower, ranging from $0 to $10,000 per operator.

Cash interest payments remained high during 1985, even though interest rates declined. Cash interest payments averaged $18,863 per operator in 1985, compared to $18,491 for the same farms in 1984.

#### Land Prices

The decline in land prices is a major factor in the current farm financial crisis in Illinois, as in other midwestern states. In a January 1986 land-value survey conducted in the University of Illinois Department of Agricultural Economics, the average value of above-average Illinois farmland was $1,580, an 18 percent decline over the past 12 months. The average value of below-average farmland was $924, down 21 percent from a year earlier. Declines projected for the next 12 months for above- and below-average farmland were 9 and 11 percent, respectively.

#### Family and Community Impacts

The farm financial situation brings increased stress upon individuals and families. Farmers' contacts with Extension's Rural Route program verify the severity and diversity of impacts.

Agribusinesses in the community are likewise affected. Farm implement dealers have suffered more than other service industries, according to our agricultural economists. Loss of a dealership has an economic impact on the entire farm community as jobs and income are lost.

Local government's ability to provide needed facilities and services is impaired by the decline in land prices, lower farm returns, and loss of jobs.

### Major Extension and Research Thrusts

The Rural Route program is currently Extension's major effort to deal with the financial and family stress experienced by many farm families. This and related programs are described in the following section. Much applied research and data gathering is being done to support these programs. Several longer-term research programs are undergoing shifts in emphasis to deal with the current farm financial situation.

Extension staff and researchers are cooperating closely across discipline lines on programs in farm management, financial counseling, legal matters, and family and

individual stress management. Additional programs involving farm family members dealing with the interrelationships between farm and family and farm and family decision-making are needed. Community support programs and programs to retain and strengthen local businesses are likewise needed. These will require cross-disciplinary efforts and research-Extension collaboration.

## EXTENSION PROGRAMS

### Rural Route Program

Program Description

In January 1985 the University of Illinois Cooperative Extension Service received an $87,500 grant from Extension Service (ES)/USDA to begin a special project to assist financially distressed farm families. The funds were used to (1) hire one full-time and one part-time financial counselor to head the efforts at two Rural Route financial counseling centers--one at Macomb in western Illinois and one at Benton in southern Illinois, (2) install and maintain a toll-free hotline, (3) train more than 200 Extension advisers, Agriculture and Home Economics, to serve as teachers and counselors for financially distressed farm families, and (4) pay out-of-county travel expenses for advisers serving as counselors.

The Rural Route program focuses on people and families rather than on farms. An underlying philosophy is that while farms will be lost, families need not be. The primary entry point for Rural Route's assistance continues to be the toll-free hotline. That line, answered on the University of Illinois Urbana-Champaign campus, is staffed by agricultural and home economics advisers from nearby counties and some state Extension specialists. The telephone counselors help the caller articulate his/her major problems or concerns and then arrange to have an Extension adviser, or in some cases a state specialist, recontact the caller and set up a more intensive counseling session.

During the first full year of operation (March 1, 1985-February 28, 1986) the Rural Route program reached more than 1,500 families through more than 3,000 personal or telephone contacts. Nearly 1,500 calls were made to the hotline number. More than one-third of those calls (578 out of a total 1,480) have been received since December 4, 1985, evidence that Illinois farm families still need and want the type of assistance Rural Route can provide.

During the first year Rural Route counselors held more than 2,000 face-to-face sessions for an estimated 5,500 contact hours. Typical assistance involves helping farm families prepare and analyze financial statements; explore alternatives for restructuring debt, cost containment, and off-farm employment; and deal with personal and family stresses and emotional needs associated with financial difficulty.

Some continuing, unmet needs of farm families that are influencing the directions and content of Extension programs include the following:

- Many borrowers do not have copies of notes and other security papers they have signed with financial institutions and do not understand the contents or agreements.
- Most families need the assistance of an attorney to better understand their options and liabilities when taking bankruptcy, foreclosure, and/or liquidating capital items.
- Several families need counseling for marital problems, alcohol and drug abuse, and seeking other employment and/or public assistance.
- Many families face problems in communication, finances, and leasing arrangements.

Rural Route's Multiplier Effect

In its first year of operation Rural Route has become recognized as a responsive and effective program by participating families, farm organizations, the mass media, legislators, and the Office of the Governor. This recognition has resulted in important multiplier effects that have allowed Rural Route to continue and expand its services by creation of other much-needed non-Extension support programs to serve the needs of financially distressed farm families.

The Illinois General Assembly and the governor have approved nearly $2 million in special funding to aid financially strapped farm families. That total includes an annual $400,000 appropriation for Rural Route which is now being used to continue the hotline telephone service and to establish two new centers--one at Dixon in northwestern Illinois and one at Springfield in central Illinois--to coordinate one-on-one and small-group counseling activities.

Other special funds are being used to provide stress and substance-abuse counselors through an arrangement with the Illinois Department of Mental Health and legal counseling through an arrangement with the Illinois Bar Association. An additional one-time allocation of $200,000 will support greatly expanded Extension efforts in legal education for lawyers, lenders, and farm families.

In addition, Rural Route helped generate awareness that resulted in $30 million from the state legislature to guarantee operating loans for the state's most needy farmers. Also, $59,400 was received from the Illinois Farm Development Authority to evaluate state credit programs for agriculture. Pioneer Hi-Bred International, Inc. contributed more than $10,000 to support development of teaching materials for two programs.

Early in 1986, the Illinois Cooperative Extension Service received another $58,600 grant

from ES/USDA for Rural Route and related activities.

Rural Route's Impact on the Illinois Extension System

Rural Route has had a positive impact on the entire Cooperative Extension Service system. The program has renewed the field staff's enthusiasm and commitment and reestablished the primary role of the Extension adviser as teacher through one-on-one and small group contacts. The Extension specialist's role as teacher-of-teachers also has been reinforced.

Extension advisers in Agriculture, Home Economics, and Youth working with the Rural Route center at Macomb identified in April 1985 five major reasons for liking their work with Rural Route: (1) the opportunity to meet clearly identified needs of farm families, (2) the challenge of using personal and professional skills and knowledge, (3) the opportunity for working closely with others in the Extension family, (4) personal learning experiences (inservice and on-the-job), and (5) The satisfaction of having helped.

The same advisers also described major difficulties in working with Rural Route, including: (1) the emotional strain of intensive involvement with people's problems, (2) helping people recognize the limited choices available and make difficult decisions, and (3) finding time for regular office work and other responsibilities.

**Other County and Regional Programs**

Following are examples of Extension programs that have been planned and adapted to the special needs of farm families in financial distress:

FACT (Facing Agricultural Crises Together)

Nine counties in northwestern Illinois have initiated a program of information, peer-group support, community involvement, and counseling to deal with the region's farm situation.

Your Financial Condition

Last year 2,000 farm families took part in this program of training to prepare and understand balance sheets and other financial statements.

Analyzing the Financial Strength of Your Farm Business

This basic six-session course, taught by state farm financial management and agricultural finance specialists, covers financial management goals, analyzing balance sheets and cash-flow statements, and implementing and monitoring a financial management plan.

Farm Financial Information Management and Analysis

This is a two-day workshop specifically designed to give agricultural leaders the knowledge and skills they need to efficiently collect and organize data and set up systems for their borrowers to prepare financial statements.

Farm Management Workshops

During the last year 216 farm operators and spouses interested in basic farm management skills and tools participated in this series of four three-hour workshop sessions.

Agricultural Options

Three hundred seventy-two individuals participated in ten one-day multicounty workshops designed to improve understanding of agricultural options and how they can be used to manage the price-related risks of grain and livestock production.

Improving Your Grain Marketing Skills

This program of seven two-hour workshops, attended by 200 individuals last year, is designed to help farmers, landowners, and others develop a marketing plan, evaluate pricing alternatives, and develop price expectations.

Farm and Family Business Management Schools

A team of specialists in farm management and family resource management have developed a comprehensive set of teaching materials and provided inservice training for county staff to use in county programs. Topics include setting family goals, inventorying farm and family resources, evaluating the present farm plan, managing family expenditures, and developing and implementing management plans.

**RESEARCH**

Activities in the Rural Route program and inquiries from farmers, agribusiness people, financial managers, and government officials are resulting in much data collection and analysis of an applied-research nature. Many formal, longer-term, Hatch-supported research projects are undergoing shifts in emphasis to deal with the current farm financial situation. This is especially true for projects dealing with farm management, marketing, financial institutions, and agricultural policy.

Much of the research relevant to the farm financial situation is being conducted by agricultural economists, rural sociologists, and agricultural lawyers in the Department of Agricultural Economics and by staff in Family and Consumer Economics in the School of Human Resources and Family Studies. Several of the researchers involved have joint Extension-research appointments in their respective departments. Others are working closely

with full-time Extension specialists, financial institutions, commodity/marketing groups, or governmental agencies making their data, models, etc., available for use in educational programs, management decisions, and policy formulations.

**Farm Management Records**

Analysis of business records kept by nearly 8,000 farmers cooperating with the University of Illinois Cooperative Extension Service and the Department of Agricultural Economics in the Illinois Farm Business Farm Management Service is invaluable in monitoring the state's farm economy, identifying the nature and extent of the farm financial crisis in the state, and helping farmers develop plans for future farming operations. Ten associations in 102 counties are serviced by 70 full-time field staff. Participation in this farm-business analysis program is voluntary and cooperating farmers pay a fee for the educational services. Records are available to farm-management researchers for statewide and regional enterprise analysis while at the same time the confidentiality of individual records is protected.

**Financial Management Strategies**

Commodity prices, initial debt-to-asset ratios, and the tenure position of farmers have been taken into account in a four-year financial projection made in the Department of Agricultural Economics. To examine the importance of these factors, the financial situation of an Illinois cash-grain farm was projected under three different tenure patterns (full owner, part owner, and full tenant) with three different initial debt-to-asset ratios (20, 50, and 70 percent) and three different sets of commodity prices. Economic models were also constructed for Illinois dairy and cattle-feeding farms. Resulting publications distributed throughout the state deal with the topic of what it will take to survive in Illinois agriculture and strategies farmers can employ to regain profitability.

**Legal and Tax Implications**

Research by the agricultural lawyers in the Department of Agricultural Economics, coupled with Extension programs, has focused on the application of the Federal Bankruptcy Code governing farm bankruptcy proceedings. In particular, the status of the installment land contract and the Code requirement of adequate protection for secured creditors is being investigated under a Hatch research project. Several provisions of commercial law are undergoing severe tests during the current period of financial stress in agriculture. These laws are being reexamined as questions arise regarding who bears the losses under a variety of circumstances.

**Financial Markets--Risk Management Strategies**

Two current Hatch projects deal with evaluation of financial markets for agriculture and economic analysis of risk-management strategies for agricultural production firms. The first project involves, among other things, an examination of the ability of various existing financial markets to provide for the capital and credit demands in agriculture. The second project includes identification, analysis, and evaluation of production, marketing, and financial strategies that farmers use or can use in risk-management programs.

A third Hatch project deals more specifically with price risk management strategies, including options and futures, for grain and livestock producers.

**Financing Public Services**

With many rural communities and counties coming under increasing financial pressure because of the farm crisis, an analysis of the Illinois public infrastructure, management, and tax-base adequacy is essential if remedial action is to be taken. Several projects are currently underway in the Department of Agricultural Economics dealing with public finance and tax policies: (1) building on the national study of use-value farmland assessment policies completed last year, a broader effort is underway to look at the link between agriculture and the performance of state and local public finance systems; (2) road services provided by county governments are now under study with the support of the USDA Office of Transportation; and (3) with support from the Illinois Tax Foundation, a major study of the Illinois real property assessment system is nearing completion.

**Rural Communities and Agriculture**

Research is underway by rural sociologists in the Department of Agricultural Economics to examine the relative importance that changes in agriculture have to the demographic, commercial, and institutional changes small communities have experienced over the past several decades. The analysis is focusing on almost 900 rural communities in Illinois.

**Off-Farm Income--Small and Part-Time Farmers**

A comprehensive study of off-farm income to Illinois farmers was made in the Department of Agricultural Economics in 1971. A new Hatch project is just getting underway to assess the current off-farm income situation, determine relationships between off-farm income and selected economic and social factors, and evaluate findings for public policy. This study is particularly relevant because of the seriousness of the economic situation in Illinois

agriculture and the growing reliance of farm families on off-farm income.

Research by rural sociologists in the Department has been conducted for several years on small, part-time farmers and small-scale agriculture. Emphasis is on social integration of these farm families into the community, occupational identity of operators, and various aspects of the farm enterprise, such as the role of farm income and land ownership in the farm family's financial plans.

**Intergenerational Relationships--Farm Wives External Employment**

A new Hatch- and Extension-supported project deals with the relationships between adult children and the parent generation in farm families. An important aspect is a study of how the current economic situation in agriculture is affecting families, including conflicts and stress generated, as well as helping and caring patterns developed, between generations.

A regional project in the School of Human Resources and Family Studies is assessing the relationships between external employment of wives and the economic and interpersonal functioning of the farm family.

**Ongoing Research--Physical and Biological Sciences**

Ongoing research in agronomy, animal sciences, forestry, horticulture, agricultural engineering, entomology, and plant pathology that lead to production efficiencies, alternative enterprises, and improved practices are too numerous to mention. Advances in computer technology and biotechnology are accelerating rapidly. Improved decision-making and increased profitability on farms often results as Extension brings these developments to farm families through educational programs.

**CONTACT PERSONS**

Further information about Extension or research programs in the College of Agriculture at the University of Illinois may be obtained by contacting the following persons:

Extension programs:

Dr. Peter D. Bloome
Assistant Director
Cooperative Extension Service
116 Mumford Hall
University of Illinois
1301 West Gregory Drive
Urbana, IL 61801
(217)333-9025

Research programs:

Dr. Harvey J. Schweitzer
Assistant Director
Illinois Agricultural Experiment Station
213 Mumford Hall
University of Illinois
1301 West Gregory Drive
Urbana, IL 61801
(217)333-6494

# Farm Crisis Response: Indiana Extension and Research Activities

by David C. Petritz and Dixie Porter Johnson

## INTRODUCTION

Many farm families continue to face difficult times. A survey conducted by the Departments of Agricultural Economics and Agricultural Statistics in March 1985 indicated that nearly one-third of Indiana's 25,000 commercial farms (those with gross sales over $40,000) have financial problems, as indicated by the magnitude of their debts relative to their assets. The researchers concluded that a period of continued low agricultural profits would cause these farms to have increasingly serious financial problems in the future.

Indiana farm families need assistance in evaluating alternatives for improving their net income and preventing further loss of equity in the farm business. Other farm families are evaluating whether this is an opportune time to intensify or expand the farm business. Many farm families are not aware of the alternatives and/or do not have the information and analytical tools available to aid them in an objective and consistent evaluation of these alternatives.

In a survey of Indiana agricultural agents made in September 1985 it was learned that an average of 90 farm families per county needed assistance in adjusting to the economic environment. More than 90 percent of the agents believed that these families would need individualized assistance in developing and evaluating alternative farm plans for their future.

Farming is more than just a business. It is a family unit in which the individual family members are undergoing varying degrees of stress as they adjust and react to the changing environment. Families need more information on how to handle stress in order to prevent more serious mental problems.

Families also need assistance in developing the skills and techniques needed for allocating their financial resources in a manner consistent with the goals established by the family unit. All members of the family will more likely participate in the achievement of the family's financial goals if they have had a role in establishing the goals.

Communities are an important segment of the rural setting. By assisting community leaders in the development of programs that will help them understand and react to the current situation in a planned and widely-supported fashion, we can help these communities remain a part of the landscape of Indiana.

## EXTENSION RESPONSE

The Cooperative Extension Service (CES) in Indiana is responding to the crisis in several major thrusts. The first was a series of "awareness" meetings held in February and March of 1985. The purposes of these were to create an awareness in farm families and others associated with agriculture of what the economic environment may be during the next five years and what strategies (financial management, legal, crop and livestock economics, family decision making, and stress-management) ought to be considered. Approximately 1,700 attended the 23 Better Farming-Better Living meetings. This initial response was supported in part by a Special Project Grant from Extension Service (ES)/USDA.

The CES has closely coordinated activities with the Farmers Home Administration (FmHA). The CES cooperated with the FmHA in the training of its borrowers in the use of Coordinated Financial Statements in December 1984. In May 1985 the Department of Agricultural Economics trained 40 of the FmHA contractors on the use of computerized financial planning models.

As it became increasingly clear that farm families needed individualized assistance, the Extension Service developed the FARM project. FARM is an acronym for Family and Agricultural Resource Management. The purposes of this project were to provide information and methods for farm families to gather, organize, and analyze data which describe alternative directions for their farm businesses, as well as to provide an opportunity for the agent to provide information on family goals and objectives. Forty-two agricultural agents were trained on the use of FINPACK last November. Thirty-three of these were provided with portable computer systems. Almost 500 farm families have participated in these individualized counseling sessions.

A second project proposal submitted to ES/USDA contained a variety of activities designed to assist farm families in farm planning, record keeping, and understanding and handling stress in the context of the family unit and the rural school systems. Funds were awarded to the project in mid-February of 1986. Funding of this project will support several additional responses.

Additional activities now being formulated include:

- A program entitled "Lenders and Farmers: Working through Crisis." Developed by Iowa State University, this program is being adapted for use in Indiana and will be the basis for a series of educational workshops beginning in the summer of 1986. The purpose of this program is to help agricultural lenders and suppliers

maintain a proper balance with their farmer customers while both struggle to deal with the problems created by the current farm crisis. This program is a cooperative venture of Agriculture and Home Economics, with the workshops being taught by teams of Ag and Home Economics agents.

- A program for teachers, guidance counselors, and rural youth. The purpose of this is to assist those who work with rural youth in understanding the changing rural environment and the resulting stress placed on farm youth and how they may react to this stress. This program is being carried out by 4-H, in cooperation with Home Economics.

- A program for community leaders. The purpose of this program will be to assist community leaders in identifying the needs of their communities, the resources available, and the alternative actions which they should consider as their communities react to the changing rural environment.

- A program to assist families in assessing their goals and values. As farm families evaluate their financial plans they must consider the goals of the family members. The materials developed by the University of Nebraska will be adopted for use in Indiana. Short-term, this program will be used by home economists in a one-on-one situation with select FARM Project families. Long-term, this program will be integrated into family management workshops that will be taught cooperatively by Agriculture and Home Economics.

- A program to assist farm families in developing farm business and family consumption records. As agents have worked with farm families during this crisis, it is apparent farm families are not keeping records that would be useful to assess farm efficiency and profitability. An educational program on record keeping is being developed for Extension agents to use in a workshop setting.

- A program to assist Extension agents in leading workshops on farm and family business planning. While many of these activities are a short-term response to the changing farm economy, farm families need to understand the basics of farm planning, regardless of which way the economy turns in the future. Good planning skills will always be useful.

- A set of six programs related to stress management. These will be offered by Home Economics agents during the next programming year. Resources from the North Central region will be used.

**AGRICULTURE RESEARCH**

Several research activities are underway within the Department of Agricultural Economics in response to the farm crisis.

A survey designed to gauge the financial condition of Indiana farm families was made in March 1985. This survey will be repeated again this March/April to determine what changes, if any, have taken place in the past 12 months.

A project to evaluate the economic impact of diversifying farm businesses through alternative farm enterprises for Indiana is being coordinated by Dr. Craig Dobbins. These alternative enterprises are being evaluated in light of risk, income potential, resource requirements, and coordination with off-farm employment. Dr. Dobbins' second research project is designed to examine the potential impact of expert systems on farm decision-making. The objective of the project is to provide greater understanding of how computerized support systems can be profitably utilized in the management of crop-hog farms.

Dr. Tim Baker has two research projects underway. One is to examine the effect of removing price and income supports from feed grains on the wealth, income, financial leverage, and investment of representative midwestern farms, as compared to continuation of current policies. The second project examines the risk-return aspects of farm assets within the context of investment portfolios containing stocks, bonds, and T-bills. These results will be useful to nonfarm equity investors.

Dr. Freddie Barnard has an ongoing project designed to develop a credit-scoring model to evaluate agricultural loans. Discriminant analysis is being used to estimate the credit-scoring model. The objectives of the project are (1) to determine characteristics common among financially successful and unsuccessful farmers; (2) to develop a credit-scoring model for differentiating, in terms of loan quality, among loan applications; and (3) to test the accuracy of the model by comparing outcomes against known outcomes of selected loans.

Dr. George Patrick is collaborating in the S-180 research project that involves 16 states. The objective is to analyze the effect of various proposed alternatives (loan writedown, reduced interest, sale of assets, sale-leaseback, etc.) on typical farm businesses. A project designed to analyze the effects of government policy on farm income variability is also underway.

Dr. Jess Lowenberg-DeBoer has a research project underway which involves modeling the response of farm firms to financial incentives. Current work focuses on land price risk and the impact of land price changes on farm diversification. A book, Microeconomic Roots of the Farm Crisis, is being completed. Most authors have focused on the macroeconomic sources of the farm-level financial and production

decisions which made farmers vulnerable in the 1980s.

Dr. Janet Ayres has a research project underway which is examining the structural/ functional changes of rural communities in Indiana and their relationship with agriculture. A typology of rural communities will be developed. Economic alternatives relevant to each category will be examined. State policy regarding rural communities will also be examined.

# Farm Crisis Response in Kansas

by William M. Eberle and S. L. Ward

The state of the farm economy has been of considerable concern nationwide and has received extensive media attention during the past year. Farm financial conditions have deteriorated over the past four years, as agriculture has experienced a prolonged period of excess supply with persistent pressures on income and net worth of farmers.

The inflationary period of the 1970s provided an increasing financial base for borrowing, but since 1981 farmland values have declined drastically and lower farm incomes have reduced the farmer's ability to service existing debt. Significant numbers of farmers, particularly owners of commercial-size farms (those with gross sales over $100,000), face problems in obtaining credit and many face liquidation or foreclosure. In Kansas, as in other states where agriculture represents a major portion of the state economy, the problem of individuals and families being dislocated from rural communities has reached crisis proportions.

As an example of the problems in Kansas, a farm financial survey conducted by the Crop and Livestock Reporting Service (February 1986) indicated that 12.5 percent (9,000) of Kansas' farms are in critical financial trouble with debt-to-asset ratios of 70 percent or more--a strong sign that their survival is in jeopardy. And 5.5 percent (4,000 farms) have already made the decision to quit during 1986.

Along the same lines, agricultural economists at Kansas State University predict that an additional 25 percent of Kansas' family farms likely will be lost during the next five years. And to make a gloomy situation even worse, it is estimated that for every seven farms that fail, one rural Main Street business establishment will also close.

Thirteen Kansas banks and two credit unions failed during 1985. Ten of those banks could be considered agricultural banks. Two banks have failed so far in 1986. A number of other banks are vulnerable because of losses on loans.

Other factors have added to the agricultural situation having an adverse impact on the Kansas economy. There have been 50 recent manufacturing plant or facility closings (aircraft, metal, rubber, and agricultural manufacturing) resulting in 11,000 worker dislocations. That trend is projected to continue through 1986. Kansas is a major oil-producing state and recent events have further aggravated the economic situation in counties with high oil production. These negative conditions not only impact the general economy, but also reduce nonfarm employment opportunities.

Conservative estimates of the numbers of Kansans likely to be affected by the agricultural situation over the next 12 months and the following five years would suggest that perhaps as many as 200,000 rural residents, or approximately 25 percent of Kansas' rural population, could be displaced by 1991. The implications of this type of displacement may be devastating for many rural communities. The most immediate impact, however, is on individuals and families who are faced with the loss of not only a livelihood, but also a way of life.

For many rural residents facing the deteriorating economic climate, the broad distances that once represented their livelihood and their freedom now isolate them from potential assistance. Time, distance, lack of program availability, shortages of trained helping professionals, and insufficient supporting revenues are usually cited as the major barriers to providing assistance in most rural communities. But work at Kansas State University and the Menninger Foundation over the past few years has suggested that lack of access to information about existing programs is perhaps an even greater obstacle than the traditional barriers to rural residents seeking assistance with personal and family problems.

## FARMER'S ASSISTANCE, COUNSELING, AND TRAINING SERVICE (FACTS)

One program attempting to address the information barrier is the Kansas Farmer's Assistance, Counseling, and Training Service (FACTS). The program was established by the 1985 Kansas legislature and is designed to assist Kansas farmers, ranchers, agribusinesses, and their families in avoiding or alleviating the problems and distress resulting from the current agricultural economic crisis. More specifically, the legislative mandate directed the FACTS program to: (1) help Kansas farmers, ranchers, and agribusinessmen save the family farm/business operation whenever humanly possible, (2) help individuals and families cope with the problems imposed by the current farm economy, and (3) when absolutely no way can be found to save the farm/business, help families make a successful transition to another livelihood.

In simpler terms, the FACTS program was developed to serve as the state's point of first assistance for rural individuals and families in crisis. In this capacity, the program was envisioned primarily as a statewide, toll-free telephone hotline to provide information and referrals for farm production, financial management, and family stress problems. But in fact, the FACTS program has evolved into much more than just a hotline referral source for farm families. It has become the point of focus around which many sources of direct assistance to

farm families and businesses is coordinated. While the program is a joint program of the Kansas State Board of Agriculture and the Kansas Cooperative Extension Service, it has often been the contact through which Extension programs have been initiated.

The FACTS program staff currently consists of four full-time and two half-time positions, including a program director with experience in business and program development, an attorney with an ag law background, a Farm Management specialist with a farm finance background, a Family Needs specialist, a family therapist with a strong crisis intervention background, and an Employment/Retraining specialist with extensive experience in dislocated worker programs.

After an initial contact, each situation is assessed and prioritized and a determination is made as to which staff member can provide the most effective counseling. That person then calls the individual and spends as much time as necessary to help determine specific needs, examine options, and provide referrals to additional sources of direct assistance as necessary.

With the qualified staff immediately available, a number of services can be provided directly by the FACTS program, including:

- Farm credit counseling in farm plan reorganization and debt restructuring assistance
- Legal assistance at no cost through contract with Kansas Legal Services, Inc. (a nonprofit legal assistance corporation) at eleven locations across the state
- Documentation of innovative approaches to specific problems that might be transferable to other situations
- Assistance directories of statewide emergency assistance resources for use by both the FACTS staff and other helping professionals
- Community response assistance to local communities and organizations in developing local response to specific situations and needs
- Master calendar of state, regional, and local events that might be of value to either those with problems or other helping agencies
- Documentation and research of radical and extremist organizations and activities

Thus while the FACTS program is able to offer immediate response to many needs, its capabilities provide the basis for many Extension and research efforts at the University. Just as importantly, FACTS has established relationships with the following agencies in providing services statewide:

- Kansas Cooperative Extension Service--provides one-on-one farm financial analysis to all farmers requesting such assistance, assists communities with economic development programs, provides entrepreneurial training seminars for dislocated farmers wanting to establish a private business, provides training for individuals and organizations wanting to establish interpersonal support networks, and cooperates in the development of local farm stress seminars and rural issues forums.
- Kansas Attorney General--investigates and provides legal assistance in cases involving loan fraud and consumer protection.
- Consultation of Cooperating Churches in Kansas--provides immediate cash grants for families needing temporary emergency assistance for food, medical problems, utilities, etc.
- Kansas Rural Issues Ecumenical Coalition--assists organizations and communities in the development of rural issues forums and other education programs.
- Regional Mental Health Centers--provide long-term professional mental health counseling as well as providing local backup, as necessary, in suicide intervention situations.
- Area Agencies on Aging--provide special services to individuals 55 and over, as well as providing employment/retraining assistance.
- Small Business Development Centers--provides one-on-one financial counseling for rural nonfarm businesses and also provides assistance to communities in developing plans for adapting to long-term business pattern changes.

All of these agencies frequently interface with Extension programs in providing assistance to those facing economic and family stress at the local, regional, or state levels.

## EXTENSION PROGRAMS

All Extension program areas have adapted their programs, at least to some degree, in response to the current agricultural and rural situation. A number of specific programs or relationships have been established that have been particularly helpful.

### Farm Financial Management

Farm financial management, utilizing the FINPACK computerized analysis program, has been a major program during the past year. During that time, more than 1,000 farm families have participated in farm financial management

workshops using FINPACK to analyze their farm operation. Probably that many more have undergone FINPACK analysis on a one-on-one basis. For those going through workshops the analysis has uncovered an average of $8,000 per farm in adjustments (cost cuts or altered enterprise mix) for a total of $8,000,000 in potential efficiencies. In addition to Agricultural Economics specialists, 50 county Extension agents have been trained in using the FINPACK program. Others trained include Farmers Home Administration, farm credit, and commercial bank personnel. K-FARM is another computerized program now on-line that is more extensive than FINPACK in doing enterprise-by-enterprise analysis. It is designed more for farmers with their own microcomputers. The farm financial management effort interfaces with the FACTS program in that, when appropriate, callers to FACTS are referred for a FINPACK analysis. Farmers initially going through FINPACK analysis are, when appropriate, directed to resources for follow-up help, including the FACTS program.

**Friends in Deed**

Many persons come into contact with individuals who are in the midst of a crisis and are uncertain of how they can react or offer assistance. Friends in Deed is a program of Extension Home Economics to improve the helping skills of persons who, though not necessarily in a crisis situation themselves, wish to be better able to help friends, relatives, or acquaintances who are. Workshops have been held across the state during the past few months.

**Family Financial Management**

Though not a program just in response to the agricultural and rural economic situation, family financial management programs help families do a better job of managing scarce financial resources, especially during times of financial stress.

**Entrepreneurship for Displaced Farmers**

Extension programs on starting a business are being specifically designed to help farm family members who wish to start a business to either replace or supplement their farm incomes. Programs are not intended to give individuals new skills, but rather to show them how to put skills to use in private business either in or outside the home. Topics include business organization, financial record keeping, time management, taxes, insurance, and other related topics. One workshop has been held for a group of farmers who plan to become home weatherization contractors for a weatherization program. Plans are being made to greatly expand this program through a grant from the Kansas Department of Human Resources utilizing U.S. Department of Labor Displaced Workers Program funds. This program, being designed to help move displaced farm family members into the work force, will also include funds for Extension home economists to provide seminars and workshops designed to ease the transition from farm to workplace. Funds are also planned to supplement the FINPACK analysis effort and to further expand the FACTS program.

**Economic Development and Small Business Programs**

Economic development programs are aimed, to a great extent, toward communities undergoing stress as a result of the rural economic situation. They are generally intended to help communities move through a long-range economic planning process toward appropriate economic restructuring. The programs are based on the growth-from-within concept of retention and expansion of existing firms. Programs include assistance with economic analysis to help in determination of potential viable economic development strategies. Small business programs are designed for owner-managers of small Main Street businesses. The programs are intended to improve the decision-making capabilities of business persons so that they will be able to manage better under difficult economic conditions.

**Response to Bank Closures**

The closing of a local bank causes great uncertainty across the community and can bring on an immediate economic crisis for persons who have outstanding loans with the bank. The situation reaches dramatic proportions when the closing bank is the only one in town and it is not purchased and taken over by new management. Informational programs have been conducted, primarily under the leadership of the FACTS program, both for farmers and for businesses. Emphasis is on alternative options available for those affected by bank closing, particularly those whose loans are being called in.

These are only some of the more significant Extension efforts in response to the agricultural and rural crisis. New program adaptations are regularly added in response to specific needs. Great emphasis is placed on being careful not to adversely affect important ongoing programs that will reduce the chances of failure of farms, businesses, and communities that are still competing successfully.

**RESEARCH PROGRAMS**

Research programs tend to be long-term projects and are influenced by the availability of funds. Most research projects have not been initiated solely in response to the agricultural and rural economic crisis. Some do have specific applications, however, to the problems brought about by the crisis. There are a host of research projects that are directed toward production, management, and marketing efficiency. These have been and will continue to be important for solving problems on those farms already having difficulty and for preventing difficulty

on those not yet in trouble. The importance of continuing this type of research cannot be overemphasized. Research projects with some application to the current economic situation are too numerous to mention. There are several, however, that would seem to be of particular relevance.

**The Farm Crisis and Decatur County**

The objective of this case study of a dryland wheat-livestock county in northwestern Kansas is to assess the impact of the farm sector on the economy and social organization of a county which has historically depended on agriculture for its livelihood and to learn about the incipient effects of the current farm crisis on an agricultural community. With the completion of this study, two additional counties are being selected to further expand the research project. The study has been particularly useful in identifying where the agricultural economic crisis impacts the local economy.

**Agricultural Impact Analysis Model**

This applied research project is designed to develop a model for analysis of the impact of agriculture on the local economy. When complete, the computerized model will enable Extension staff and others to examine various "if-then" scenarios to estimate potential economic impacts on various sectors of the local economy.

**Development of K-FARM**

The utilization of this computerized farm financial analysis tool was described earlier in this paper.

**DEVELOPMENT OF CORN-PRO, WHEAT-PRO, BEEF-PRO**

This major research effort will enable the producer to examine production efficiency through all phases of the production cycle, with the goal of maximizing profits. A series of modules is being developed for each of the three enterprises. The results of the research effort will be to improve production efficiency and to reduce the probability of financial failure due to inefficient production management.

**Improved Local Economic Analysis**

This is not a single specific research project, but rather a process of reviewing and refining various techniques for analyzing the local economic situation to predict trends and to suggest alternative economic development strategies.

**SUMMARY**

Much has been done to mobilize assistance to individuals and families being impacted by the agricultural and rural economic situation. In Kansas the FACTS program has played a major role in coordinating the various resources and bringing appropriate ones to bear where needed. Extension programs have been developed or adapted to meet many needs of people and communities in crisis. And there are some research efforts that contribute to the overall effort.

There is still more that is needed, however. There is still a need to develop effective caring and support networks. And there is a need for more research on individual, family, and community reactions to stress and change. Finally, as a result of the agricultural and rural economic situation, significant changes appear to be evolving across rural Kansas. There is a need for research to determine the directions and magnitude of social and economic change and to produce programs to enable rural people to influence and prepare for those changes.

# Responses to the Farm Crisis: Michigan Report

by Julie Hales

## INTRODUCTION

Michigan's diverse agriculture provides it the opportunity to become a major growth area in world agriculture. Michigan Cooperative Extension Service (MCES), the Michigan Agricultural Experiment Station (MAES), and the Michigan Department of Agriculture (MDA) are all cooperating to help Michigan farmers take advantage of their opportunities. But future growth opportunities are available only to those Michigan farmers who can survive the current and past financial difficulties created by reduced export earnings, high interest rates, deteriorating land values, and failing commodity prices.

The financial stress in Michigan agriculture, like a stone tossed into the pond, creates waves of consequences. Consequences that affect the farm business are increased leverage, cash-flow difficulties, and, in some cases, insolvency and bankruptcy. These business-related consequences, like secondary ripples in the pond, produce emotional distress and loss of self-esteem--sometimes leading to child or wife abuse, divorce, and, in severe cases, suicide.

The problems of the farm financial crisis and the emotional ripples it has created for the principal farm sector participant--the farm family--are multifaceted. Consequently, the response by MCES, MAES, and MDA has been and will continue to be multifaceted.

The MCES research and outreach programs are intended to: (1) identify for those involved the extent of, and the resources available to meet, the Michigan farm financial crisis, (2) study alternatives to farming and establish the job training and counseling needed to meet the adjustments required by current conditions, (3) provide training that will help those who stay in farming to do so successfully by adopting efficient production and financial planning methods so that the farming experience is efficient and financially profitable, and (4) assist the communities, which are extensions of the farm families, to adjust operations and services to survive and meet the needs of the farm families and nonfarm residents that depend on their services.

## OVERVIEW OF FARM SITUATION IN MICHIGAN

According to a Farm Financial Situation Survey conducted by the MDA and the MCES in spring 1985, net farm income in Michigan has dropped substantially since 1981. According to survey results, this income drop has pushed many family farms into less secure financial positions, as evidenced by their debt/asset ratios. Nine percent of the farmers surveyed are highly leveraged, with a debt-to-asset ratio over 70 percent, and another 16 percent have a debt-to-asset ratio between 41 and 70 percent. Compared to national figures, Michigan has a greater percentage of highly leveraged farmers in the 40 to 70 percent range: 16 percent compared to only 7 percent of the nation's farms.

Dairy, cash-crop, and fruit farms are the major farm types in Michigan and are experiencing higher loan delinquency rates than livestock or specialty farms. Fifteen to 20 percent of the dairy and cash-crop production in the state is subject to severe liquidity problems. Since milk and cash-crop prices have continued to decrease, the financial position of these farmers has gotten worse during 1985.

Prices of agricultural commodities have dropped 10 to 30 percent during the last four years and income loss is affecting all farmers, regardless of debt position.

## MICHIGAN COOPERATIVE EXTENSION SERVICE RESPONSE TO THE FARM CRISIS

### A Summary of Research and Extension Thrusts

The MCES responded in 1985 to the financial crisis in agriculture with a multifaceted program. A special inservice training program for staff on the current agricultural situation was conducted in early January. This was followed by a mass-media emphasis on the general economic outlook, credit availability, trade outlook, agricultural policy options, money management, farmland prices, and commodity price outlook.

The overall goal of educational and supportive efforts for Michigan farmers has been and continues to be to challenge families to reevaluate their family goals and commitment to agriculture as a way of life and a business venture. The objectives and strategies under the umbrella program call "Regaining Profitability on Michigan Farms" are:

- To help financially stressed farm families, as well as those currently financially viable, to analyze alternatives resulting in better decisions about their future in or out of agriculture. Projects in this area include regional seminars, held in February and March, with the theme "Management 2000."

- To develop a series of materials for use in meetings and with the mass media outlining relevant information on family and farm business goal setting and stress adaptation, the background of the future agricultural situation, and necessary

management, marketing, and technological production adjustments for agriculture.

- To provide a series of intensive workshops by type of farm, in which farmers receive information and guidance to develop a projected financial and production plan for 1986 and beyond.

- To provide retraining opportunities for farm families deciding to terminate their agricultural employment.

- To provide intensive individualized family and farm business assistance through continuation of the Extension Management Assistance Teams (EMAT).

More detail on these projects is found under the section entitled Extension Projects.

**Suggested Areas of Research and Program Development**

Recognizing the relationship between vision and reality in planning, the MAES and MCES joined forces in 1985 to undertake an intensive review and comprehensive long-range planning effort. This effort is a review of the past, an analysis of the present, and a practical strategy for the future. Input came from Michigan citizens from all counties of the state, key community leaders, industry and agribusiness decision makers, and university faculty and staff. Enriching Michigan's Future: A Planning Document outlines strategies to meet challenges in our state, a critical one, of course, being the current farm situation. This planning document, with its thorough development and background work, was one of the sources for the following suggestions for future research and programs:

- Establish and develop multi- and interdisciplinary research and extension teams that mobilize the expertise needed to address strategic issues for a coordinated response. This would include (1) studying the adjustment problems facing Michigan agriculture; (2) coordinating advice to commercial and part-time producers on appropriate technologies and farm systems, institutional services, credit, taxation and regulatory policies, development and use of new production systems, and management of finances, marketing, and personnel; and (3) promoting and rewarding interdisciplinary action teams that will work together to solve complex biological, economic, and social problems related to agricultural systems.

- Expand integrated decision support systems (IDSS) to provide assistance in activities related to predictive or management information, farm efficiency and profitability, and information dissemination.

- Study coping mechanisms within farm families experiencing economic distress.

- Establish research projects in the area of rural development. Local communities are important to the survival of farm families and farm businesses through off-farm employment opportunities and social and psychological support systems. What strategies can be utilized to help farm families and rural communities adapt to both economic and social changes that are occurring?

**EXTENSION PROJECTS AND RELATED RESEARCH--NEW AND ONGOING PROJECTS**

**Assistance Hotline**

In April 1985, the MDA and MCES combined efforts to establish the Agricultural Assistance Network, a toll-free hotline to provide a liaison and referral service for farmers and agribusiness people in economic distress. Since start-up almost one year ago, 1,296 farmers have utilized the hotline. The vast majority of these callers have been seeking information about loans or problems surrounding access to loan monies. Human services requests or problems have been the object of approximately 10 percent of the calls, with another 10 percent seeking information on legal services. Over 200 of the callers have requested contact with EMAT services. The vast majority are full-time farmers and average acreage runs approximately 380 acres.

**EMAT**

A team approach and one-to-one work with farm families was needed to provide intensive assistance to farmers and their families. To provide for this need, EMAT teams were formed. These teams are made up of county and district Extension staff members, including district farm management agents, agricultural agents, and home economists. They meet with families who require their services to develop strategies for dealing both financially and emotionally with their economic problems. Currently 14 teams are working throughout the state. The EMAT process usually begins when a farmer contacts an agent and asks for help. The agent then works with the family to gather the required information and farm records. The standing team is augmented with specialists in subjects pertinent to particular farm or family problems and areas of production. The team visits with the family for a day, reviewing financial records and facilities and analyzing the farm/family situation. Strengths and weaknesses are outlined and opportunities and options are explained to the family. The family is sent a written summary of the visit, including analyses and recommendations. At the family's request follow-up can also take the form of further visits and phone consultations. To date more than 300 farm families have been involved with EMATs across the state.

Agents involved in EMAT utilize many sources for updating their expertise and broadening their skills. Inservice training has been provided for team members, as well as a monthly newsletter produced by state staff. Resource materials developed at Michigan State University (MSU) and other state universities are included in the newsletters, as well as updates and announcements on conferences and workshops related to the farm situation.

An evaluation of the EMAT process is currently in its final stages. Using a case study approach, the process evaluation seeks to explore the effectiveness of this strategy of helping farm families. Preliminary results reflect very positively on the program.

**EMAT for Agribusiness**

A similar approach has been utilized within Michigan agribusinesses. Teams led by MCES but composed of state and local business retention experts, community college faculty and staffs, out-of-state regional cooperatives, trade associations, and lending institutions have worked intensively with 42 businesses this year and only one assisted firm has failed. As the program becomes better known the requests increase. In nearly every instance the problems are increased by the inability of the customers of these businesses to pay their bills and the actions of secured creditors of farmers who are customers. Especially hard hit are farmer-owned cooperatives. The opinion of agribusiness specialists within the state is that local farmer-owned cooperatives in the elevator and farm-supply industry are harder hit in Michigan than in adjoining states. Most of the firms involved with the EMAT for agribusiness are family-owned or controlled businesses. These people are involved in the business both personally and professionally, and the stress is every bit as great as on the family farm.

**MCES and FmHA--Working as a Team**

MCES and FmHA have a history of cooperation; the newest program, aimed at assisting limited resource farm families critically in need of help, expands on the EMAT concept utilizing FmHA input and staff. As with EMAT, the goal is to enable families to deal effectively with and gain control of various financial factors affecting their lives.

**Dislocated Worker Program--JTPA**

The goal of this program is to improve the economic solvency of dislocated farm family members and their employees through off-farm employment. The need for such off-farm employment arises from the well-documented, long-term trend of out-migration from farm employment. This trend is intensified by current farm financial factors, making farming no longer viable for many Michigan residents.

Farming as an occupation has experienced serious employment declines for decades. Seventeen percent of the Michigan Farm Financial Survey respondents in spring 1985 said they plan to discontinue farming in the near future. Job placement and job training are high priority needs, according to 55 percent of the respondents. Supporting evidence as to the importance of this program also came from the Gratiot County Skills Inventory Project. This pilot project inventoried skills of farm family members to assess their proficiencies for off-farm employment.

In response to this need for retraining, a statewide program has been developed to focus on job retraining opportunities for farm families and farm employees who are forced out of agricultural employment. Although the proposed system is complex, utilizing a wide variety of services, institutions, and deliverers, the basic structure consists of the use of the 80 statewide offices of MCES and 15 Extension agents trained in farm financial stress and in assessment of eligible farm clientele. Referrals for this program come from the Extension offices and the hotline mentioned previously. The program has already signed 115 participants; this response is much greater than ever anticipated at start-up just one month ago.

**Type-of-Farm Workshops and Materials Development**

Crop Production

Research projects within the Agricultural Economics Department on crop production are generating invaluable information on profitability of specific agronomic practices and providing crop farmers with business analysis tools to enable them to make more profitable agronomic and marketing decisions. These research results are being used as reference materials for crop production workshops being held across the state. Specific research topics include: (1) development of a decision support system for pest management and tillage alternatives in corn production, specifically the economic impact of switching from conventional tillage to no-till corn production; (2) applying economics to weed interference data to determine economic thresholds for postemergence weed control in soybeans; and (3) addressing the optimum input levels for ag chemicals, including herbicides, biological inoculants, and fertilizer products.

Evolving from research such as this and cross-departmental input, Extension efforts have included: development of resource materials on management practices to increase yield without increasing cost, preparation of a series of position papers on emerging technological changes in crop production and how these changes may impact on future management practices, and three two-day crop production workshops held since January at different locations across the state. These represent combined efforts of county and state staff. Staff perception was that attendance and discussion were promising and well worth the efforts.

Dairy

The Agricultural Economics and Animal Science Departments have teamed to present ongoing workshops and training sessions focusing on dairy farm business analysis and planning. The Dairy Farm Analysis Workbook, developed by dairy field staff and campus specialists as an organizational and record-keeping tool, was used as a basis for instruction and discussion focusing on farm business analysis and planning. Data from a sampling of dairy farmers has shown that this workbook is very useful for short- and long-range planning and control of a dairy operation.

Early in February an intensive training session for agents was held to apprise them of dairy adjustment alternatives under the 1985 Farm Bill. Research support for this training and ensuing workshops came from a unique research committee formed in November 1985 and charged with formulating materials that could be widely used in CES to help dairy farmers, lenders, and other industry groups better understand and make decisions relative to the new Milk Production Termination Program. This multistate study involved a group of agricultural economists representing six land grant universities. Much effort has surrounded this issue here at MCES as we continue to meet demand for information on this timely topic.

**Regional Meetings--"Management 2000"**

Three regional seminars were held in January and February for financially stressed and financially strong commercial farmers. "Management 2000," focusing on long-range planning. These well-attended seminars included instruction and generated enlightening discussion on these topics: (1) economic framework for agriculture through the year 2000; (2) family dynamics in handling stress and farm and family decision making and goal setting; (3) emerging technological changes in livestock production and management implications for producers; (4) emerging technological changes in crop production and management implications for producers; (5) the application of artificial intelligence, management support systems, models of management science, and computer technology in helping farm managers in the year 2000 make timely, correct, and profitable management decisions; (6) long range financial and business planning; and (7) resource and environmental quality issues affecting agriculture.

Research and reference support for these and future seminars comes from many different departments within Extension and MSU. The seminars are conducted through the efforts of county and state agents and specialists. This cross-discipline, cross-departmental effort is in the process of being evaluated using mailed postsession questionnaires.

Farming is one family business where work and family life are very closely meshed. While these seminars explore operational goals and planning for production, they also address an issue often overlooked by farm families--setting family goals. Since the farm and the household are resources for one another, how does a farm family work toward setting goals that balance both farm and family? Answering this question was the object of a new Extension bulletin with worksheet utilized at the Management 2000 seminars. Entitled "Working Together: Managing Change in Farm and Family," the bulletin and worksheets are used to provide information on family goal setting, priority setting, and planning for farm families.

**Microcomputer Workshops**

Using microcomputers in a group workshop setting with farm families, agribusiness persons, and field staff was the objective of cash-flow planning workshops begun in 1985. These early projects included Extension specialists and financial analysis instructors who traveled all over the state with vans loaded with IBM-PC portable systems with printers. An evaluation of the series showed an overwhelmingly positive response to the workshops by participants. This year will see a continuation of these workshops conducted by county or district personnel using the financial analysis microcomputer templates designed to build monthly cash-flow projections and loan applications. Many of these projections are being made by county staff in individual consultations with farm families. Use of these templates has been very successful with EMAT families for planning purposes and support when they are meeting requirements for loan applications.

**County-Level Workshops--Joint Effort**

Too numerous to list are the many county-level workshops and farm family meetings. These programs often involve campus and field staff and specialists, as well as community leaders, health care and legal professionals, and church leaders. In one instance a panel was arranged including farm family members who responded to questions and concerns of their neighbors in the community. Farm family stress and strengthening communication are often the focus of these meetings, although farm and family management and planning are also important components.

These county-level workshops and meetings are extremely important for several reasons. First, county agents and home economists are in touch with the needs within their own areas, thus they are able to respond with information pertinent to these needs. Also, these agents and home economists have often had personal contact with farm families and can invite them to attend. This personal touch is often the only successful means of drawing farm families out into the open to share problems and fears they have about their own situations.

Churches in rural communities and church councils statewide have recently begun to actively organize meetings using Extension specialists as resource persons and utilizing Extension materials. As recent research suggests, churches have the potential to provide a great deal of support and counsel for farm families. The rural community churches are traditionally a fundamental social and spiritual center for farm families.

Many agencies and groups in our state are sponsoring meetings for farm families utilizing Extension specialists as speakers and facilitators. An Extension Home Economics specialist reported that she has presented 7-10 workshops a month on farm family stress and communication skills development for groups such as this. Specialists and field staff within Extension Home Economics have developed a wide range of resource materials to be used at workshops and classes. (See end of chapter for a listing of resource materials.)

## RESEARCH PROJECTS

Thus far objectives and strategies have been discussed. It would be negligent, however, to attempt to categorize these projects only as programmatic responses to the farm situation, since much of what was discussed would also fall under applied or problem-solving research. In the following examples, problem-solving research as well as subject-matter research will be summarized.

Providing benchmark data in answer to the question, "How serious is the farm financial crisis in Michigan?" was the goal of subject-matter research carried out at MSU in cooperation with the MDA. The study, Farm Financial Situation Survey, conducted in spring of 1985, found that indeed a number of Michigan farmers are experiencing financial distress. The information and clarification provided by this study of Michigan farmers has proven an invaluable reference for programmatic responses throughout Extension. Program planning in the areas of financial and production management, as well as the Displaced Worker JTPA program, drew important information from the findings from this survey.

Broadly, research thrusts have been targeted toward improved farm and agribusiness management training, profit optimization rather than maximization of production, and basic research on biological processes and interactions of plants and animals, as well as exploratory work on stress in farm families. Clearly, achieving these goals requires interdisciplinary, cross-departmental efforts and this cooperation is in evidence at MSU.

Response to the farm situation is not limited to the agricultural expertise within MCES. One example of a cross-disciplinary research project carried out by the Sociology, Human Ecology, and Agriculture and Natural Resources Departments is the Family Farm Project. Research and Extension teams are functioning in five major areas: family systems, community infrastructures, home industries, agricultural production, and facility development/energy. Although this far-reaching study was not originally developed in response to the farm situation, many of its ongoing components are now adapting their strategies and methodologies to gather information very relevant to the farm situation in Michigan today.

Computer models are becoming increasingly valuable tools for efficient and economic agricultural production systems and MSU is a leader in their development. A cooperative effort underway at Kellogg Biological Station involves a multidisciplinary research effort to design a computer-assisted management approach. The Agricultural Economics Department, along with Agricultural Engineering, Crop and Soil Sciences, and Animal Science, have teamed to develop an integrated "smart" decision-maker aid. Extension staff members have also developed such computer-assisted aids as land valuation packages, crop budgets, and budgets to determine cash/crop share leases.

Extension Home Economics is the base for an exciting research study of financially stressed farm families in our state. Utilizing a longitudinal design, this five-year study will include 300 families chosen by the local county Extension staff. Health risk appraisals, including evaluation of blood pressure and serum cholesterol levels, will be done in years 1 and 5 of the study. In addition, both husband and wife will complete individual survey questionnaires each year. The purpose of the study is to: (1) document short- and long-term effects of physical and emotional stress on those farm families experiencing financial difficulty, (2) determine whether or not there are significant differences between families that access additional external resources available to them in crisis and those who do not, and (3) assess any reduction in stress-related consequences experienced by families who receive assistance compared to those who do not.

## CONCLUSIONS

Michigan agriculture is facing substantial challenges. The overall picture for agriculture in the short run is not too bright. Adverse cost/price ratios are driving some producers into bankruptcy. The mid-sized farm in Michigan is vanishing. From 1974 to 1982 producer expenses per dollar of gross income rose from 72 to 90 cents, farm debt per Michigan farm tripled, and interest on the mortgage debt increased the fastest of any expense item in the producer's budget.

Farming is a family business. Farm families derive their very identity from working the land and, as one author noted, "many farmers today are being plowed under." Farm families hold a deep commitment to family life and work and close

connections with neighbors. These attachments and values together form a rural ideology that is lived, loved, and taught to the next generation. Their sense of failure when unable to live up to these commitments is devastating and the prevalence of depression is certainly not surprising.

The challenge is clear--support for financial and emotional stress must be provided for these farm families. Whether it be problems in production on the farm or communication across the dinner table, tools must be provided to empower these farm families to survive and grow. MCES is doing its best to provide these tools and will continue to do so.

**MATERIALS TO SUPPORT PROGRAMMING IN FARM FAMILY STRESS--FAMILY COMMUNICATION DURING STRESS AND CRISIS**

These materials are designed for professionals interested in helping families develop more effective communication and interaction patterns as resources for coping with stress. To order contact Anne Soderman, Human Development Specialist, 203 Human Ecology Building, Michigan State University, East Lansing, Michigan 48824. Prices include shipping and handling.

- "Teaching Family Communication During Stress and Crisis." Included are six 1 1/2-hour planned sessions. Each contains a warm-up activity, minilecture, overhead transparencies to support the lecture, a group experiential exercise, and camera-ready handouts. The sessions are divided as follows:

  | | |
  |---|---|
  | Session I: | Family Structures that Impact on Communication |
  | Session II: | Nonverbal Communication |
  | Session III: | Effective Listening Skills |
  | Session IV: | Five Verbal Response Skills |
  | Session V: | Ego States: Understanding Communication Transactions |
  | Session VI: | Communicating During Crisis |

  Two books are included in the packet for ready background reading: Robert Bolton's People Skills and Kathleen Galvin and Bernard J. Brommel's Family Communication. $55.00

- Videotape, "Family Communication During Stress and Crisis." Fifteen minutes in length (VHS 1/2"), the video features Dr. Donald Hamachek, author of Encounters with the Self and Encounters with Others, talking about the negative and positive approaches families take when trying to communicate during periods of stress. A farm family is depicted trying to decide whether or not to take a loan to finance an additional operation. At first we see them interacting very negatively, with Hamachek pointing out examples of faulty communication. We then watch the same family discussing the problem in more positive and productive terms, with final comments by Dr. Hamachek. $20.00

- Audiotape, "Family Communication During Stress and Crisis." 30 minutes in length (cassette), the tape features the six minilectures included in the teaching packet. $3.00

- "Work and Family Stress" (E-1698). This 27-page booklet explores the work/family interface, including the nature of the stress reaction, a discussion of the compounding of stress when work and family responsibilities are combined, and a final section on how to keep stress under control. A group exercise is included in the contents. $1.75

- "Divorce and Family Stress" (E-1733). This 29-page booklet includes an introduction to divorce and family stress and includes the following sections: Marrying and Unmarrying, Arranging Custody, Effects of Divorce on Children, Reducing Fallout, Helping Children Cope, The Home-School Connection, Living the Single Life Again, Handling the Stress of Separation and Divorce, and Check Your Own Stress Level. $1.75

- The Stress Press, Volumes I and II. Included here are 20 individual issues of a two-sided newsletter focusing on such topics as family stress, hurried children, single parenting, work and family stress, and stress and marital meltdown. $5.00

- "Farm Family Stress" (E-1697). Developed by Sally A. Middleton, this 29-page booklet focuses on stress in agriculture, understanding stress, stress symptoms, managing stress, farm family communication, and farm family goals. $1.75

- Audiotape, "Relaxation Exercises." This tape contains guided experiences in relaxation. Five different exercises, each approximately 5 to 10 minutes in length, are provided as alternative techniques for acquiring personal stress-management expertise. $3.00

# Project Support Tackles Rural Problems in Minnesota

by Kathy Mangum

**INTRODUCTION**

Minnesota farm families are making tough decisions--decisions that set the course for their futures. For many, the choices they make today will determine whether they stay in farming. Individual circumstances vary and so do the options. Each family must base its decisions on its own unique situation.

The financial condition of many Minnesota farms has been deteriorating since the late 1970s and was recognized as a crisis in the making as early as 1981 by Extension economists and other Extension staff working closely with farm families. These developing conditions had their roots in the general deterioration of the overall economy and were specifically related to the growing federal deficits and the rising value of the dollar, with its accompanying effect on international money flows and other economies of the world. U.S. agriculture was impacted by deteriorating commodity prices and escalating costs on most input items, especially the cost of money (interest).

These conditions, affixed on top of the ag boom mentality of the early 1970s, caused many farmers to overspend by producing a now lower-valued stream of products and overinvesting in production capacity. Lower returns at higher costs, with more dollars going to cover the investment in capacity, soon drove many into a downward spiral, unable to provide cash flow for expenses and at the same time meet obligated debt payments. Under these conditions, returns to capital invested in agriculture declined and impacted on the value of the assets used in agriculture, most specifically--but not alone--the value of land. Declining asset values caused many debt commitments made under previous conditions to be undersecured. This condition has continued to deteriorate. In some cases it has advanced to the point where annual operating credit cannot be obtained because of lack of a sufficient security base and repayment capacity to handle already committed debt obligations. Surveys indicated that this was the situation for about 25 percent (25,000) of Minnesota farms by October 1984.

The impact of the farm crisis on the state can be illustrated by the following conditions:

- A 1984 USDA study indicated that the Lake states of Minnesota, Michigan, and Wisconsin had 15.8 percent of their farms with debt-to-asset ratios of 40 to 70 percent; 9.8 percent had over 70 percent and 3.3 percent were insolvent, with debts greater than assets. A Minnesota study conducted later showed Minnesota estimates to be higher than the 1984 USDA study.

- Minnesota led the nation in the number of farms lost from June 1, 1984 through July 1, 1985 (Minnesota Agricultural Statistics Service). During this period, the number of farms in the state fell from 101,000 to 96,000.

- The Minnesota farm-price index hit a seven-year low in September 1985. By mid-December it was 8 percent below its previous year level.

- The dollar volume of farm loans issued in Minnesota by the FmHA more than doubled from October 1, 1984 to September 30, 1985. Loan volume increased to $437.6 million, compared with $207 million in the previous 12-month period.

- Six rural banks were declared insolvent and closed during 1985, the most for any year in the state since the Depression. In each failure the declining farm economy was listed as the contributing cause. In addition, 42 agricultural-dependent banks are on the state's trouble list.

In addition, family service professionals report an increase of chemical abuse, family violence, and depression among rural residents. These symptoms of stress reflect the impact of the farm economic distress on the farm family.

The long-term survival of rural Minnesota is based not only on improved personal decision making by farm families concerning farm and family management questions, but also on a renewed focus on community economic development. In order to make the hard decisions needed for today and tomorrow, farm families and rural communities need reliable and pertinent information about their economic and social choices.

In the fall of 1984, the Minnesota Extension service launched Project Support, an intensive statewide effort, to address the crisis in rural Minnesota. The Director of Extension appointed a task force to develop the plan. Forty county and area agents had 25 to 50 percent of their time reassigned to provide multicounty leadership in Project Support programs. Project Support also includes a statewide toll-free hotline and a statewide coordinator. This position is filled by an Extension specialist on a temporary special assignment.

The author gratefully acknowledges the previous work of a number of Extension staff. Much of this report was written from their writings found in the final report, Project Support Impact Study, February 28, 1986.

The goals were to help farm families (1) develop and analyze long-range alternative farm plans, (2) develop cash-flow plans for 1985 to be used in negotiating with their lenders, (3) be equipped to better analyze their situations after their 1985 business year; (4) cope effectively with stress, and (5) utilize community resources.

Project Support is a success in a number of aspects. The program provides sound educational information on farm management, family resource and stress management, and community development to thousands of Minnesota citizens. A recent impact evaluation took an in-depth look at the type and nature of help provided to Minnesota citizens and concluded that the Extension Service clearly met its goals. Not only did thousands receive helpful vital educational assistance, but the Minnesota Extension Service was able to implement this "crash program" with considerable speed and extremely limited resources.

The success of the Minnesota Extension Service in Project Support can be attributed to several factors: the university's capability for research and program development, the advent of lower-cost microcomputers, the experience of Extension staff in farm financial management, legislative funding to make software and hardware available to Extension offices and other agricultural educators, and to a large number of financially distressed farmers.

**EDUCATION IN ACTION**

Project Support uses a program development model that combines research from Agriculture, Home Economics-Youth Development, and Community Resource Development. A key component of Project Support is a package of farm business management computer programs called FINPACK that allow farmers to see the financial consequences of various management practices on their farm operations. The program was developed over a period of two decades by Extension experts for use by county Extension staff, vocational agriculture instructors, FmHA loan officers, and bankers. With this program a county agent anywhere in Minnesota can turn a portable microcomputer into an invaluable tool for helping the farmer analyze existing circumstances and make choices for the future.

But the Extension action went beyond analysis of farm management plans. The 1970s and '80s research in personal and family stress produced data that was used to develop stress management programs for Extension staff, farm families, and community decision makers.

Minnesota Extension Service garnered a wide range of resource people and expertise from the university community to assist in research and program development. Units with participating faculty members include: the Departments of Agricultural and Applied Economics and Family Social Science, the Center for Youth Development and Research, the Medical School, the Law School, the School of Social Work, and the Hubert Humphrey Public Policy Institute. These collaborative efforts have provided the foundation for Project Support programs.

Future research and program efforts should include:

1. Baseline research data on farm families
2. Data on what research is needed in the future
3. Research on implications of dual-career farm families
4. Continuing research on farming systems, including implications for family and community
5. More research on models for community economic development that focus on a win/win situation, rather than a competitive win/lose situation
6. Data on the kind of support and services county Extension agents need to prevent job burnout
7. Study of interorganizational relationships between Extension and other organizations

**RESEARCH AND PROJECT SUPPORT**

This report is not meant to summarize the entirety of the research efforts at the University of Minnesota. Rather, it is meant to highlight some of the research that has been utilized in the first year (1985) of Project Support. The following information describes some of the major efforts. It includes a research project that looks at the stress in our own staff--normative stressors and stress precipated by work overload due to the farm crisis.

**Farm Financial Management**

Research and testing over a period of two decades by the university's Department of Agricultural and Applied Economics and Extension farm financial management experts has led to the development of FINPACK, a computerized financial planning and analysis package. The four programs--FINAN, FINLRB, FINTRAN, and FINFLO--provide a comprehensive and understandable framework for individual farm decision making.

FINLRB identifies and compares the long-range profitability, debt repayment ability, and financial soundness of alternative farm plans. FINFLO projects farm cash flows monthly for one year of business. FINTRAN projects farm cash flows for three years of business. It is most useful in projecting cash flows for the transitional period when a major change is being implemented. FINAN analyzes the financial performance of the farm business for the past year.

When used together the FINPACK programs become an even more effective educational tool. They teach financial concepts through their application on individual farms. The programs aim at strengthening the management ability of the farm manager as well as the decision-making ability of the ag lender.

FINPACK is designed for use with any record-keeping system. In fact, experience indicates that the record-keeping ability of farm managers improves as they discover the usefulness and importance of complete records for financial planning and analysis.

**Family Stress in Middle Years**

University-based researchers in nine states participated in a study on family stress in the middle years. Data was collected from over 1,900 midwestern families, including some in Minnesota, from urban and rural, farm and nonfarm sectors. The study examined the relationship between the stressful experiences of families and their psychological and physical health. The findings have clarified the understanding of family stress and have assisted Extension in providing more effective stress intervention and prevention programs for community decision-makers and families.

**Teens in Distress: Stress, Depression, and Suicide**

The Minnesota Extension Service and the University Medical School have embarked on a major research study to look at the degree of stress and depression experienced by Minnesota youth and the degree to which they are contemplating and attempting suicide. Questionnaires have been collected from over 4,300 high school students in 52 counties. 4-H agents worked with the schools to collect this data base. Preliminary findings have been reported to the schools and the more complete data analysis is underway. A final report should be available by September 1986.

Six conferences entitled "Teens in Distress" were held in Minnesota in 1985-86 in response to community concerns about teenage stress, depression, and suicide. The audience was primarily youth-serving professionals--teachers, school administrators, mental health workers, counselors, clergy, social service professionals, nurses, and county Extension agents. The keynote presentation addressed adolescent suicide, with attention to identification of high-risk young people as well as an overview of research findings on the topic. Workshops were presented by local resource people who shared models for peer support programs, helping teens deal with stress, interventions with depressed youth, and school-based programs addressing self-destructive behavior.

Minnesota 4-H has produced three fact sheets to provide information to adults working with youth. "Teen Suicide" gives factual information, warning signs, and primary intervention techniques. "Helping Friends in Trouble" is designed for young people discussing ways they can be helpful to other teens whom they know to be stressed, depressed, or considering suicide. "Supporting Distressed Young People" helps adults understand appropriate communication and intervention techniques when dealing with distressed teenagers.

4-H is providing leadership for an Extension Service teleconference that will provide statewide follow-up to the "Teens in Distress" conferences in October 1986. Community support teams working on programs for prevention, intervention, and education on the topics of stress, depression, and suicide will gather at six vocational school locations in the state to share their plans, programs, and questions via satellite teleconference. Expert resource people will be located on the university campus in St. Paul to respond to concerns and questions. Special attention will be given to cooperative community programs involving 4-H and the schools.

Dynamics of Farm and Business Families

Paul Rosenblatt and graduate students working with him in Family Social Science have carried out a series of studies on farm and business families. They have published papers on the relationship consequences of economic stress in farm couples and the dynamics of farm families involved in intergenerational transfer of the farm, and a book (The Family in Business, San Francisco: Jossey-Bass, 1985) on the tensions of families in business. They are currently studying family relationships and grief in families that have recently had to leave farming.

**Values of Rural Families**

In the Department of Rural Sociology, James Krile has been studying the values of rural families. The study has illuminated how problems such as those of farm families in economic trouble are defined and how helping persons and help are perceived. Krile has used his research as a basis for educational programs aimed at helping professionals and bankers, among others.

**Rural Church Research Project**

The rural church study, under Jim Krile in the Department of Rural Sociology, started in 1979 and focused on 131 Roman Catholic, United Methodist, United Church of Christ, Episcopalian, United Presbyterian, American Lutheran Church, Lutheran Church in America, and Lutheran Church-Missouri Synod congregations in and along the corridor of the highly controversial powerline in central Minnesota. During this first phase, interest centered on how characteristics of the congregation, the clergy, and the denomination

affected the manner in which pastors and/or parishes dealt with potentially conflictual issues. These findings were shared with denominational leaders in the fall of 1980 at a conference held on the St. Paul campus.

The second phase of the project focused on two issues that emerged from the analysis of the 1979 data. One issue was the effect that yoking or creating multiple-point parishes has on the ways in which pastors and congregations respond to community needs. The other issue was the impact of differing lay leadership structures on the churches' roles in the community.

The third phase of the research examined the local power structures in eight of the communities within the study area. Special attention was given to the extent to which congregations and/or pastors were seen as part of the local power structure, the extent to which locally powerful people were affiliated with a particular church, and the extent to which members of the community power structure were also leaders in their churches.

Based on a survey of 1,610 households of church members in the study area, the fourth phase focused on the ways in which church members devote their time to church, family, and community activities. Special emphasis was placed on the effects that the various stages of family development might have on different types of organizational involvement.

It has been the practice throughout the project to try to share the findings with the denominations, congregations, and communities in the study, as well as with other members of the profession. Much of the material has been summarized in various issues of Sociology of Rural Life, a quarterly publication of the Rural Sociology unit.

The project is preparing to gather data this fall in both northeastern and southwestern Minnesota. The primary interest this time is on how the attitudes, values, and perceptions of clergy and laity affect church response to local economic crises.

**Family Stress, Coping, and Adaptation**

Pauline Boss, Family Social Science, has included displaced farm families in her studies of family stress. She has written Extension publications (e.g., "Denial," "Ambiguity: A Factor in Family Stress Management," and has collaborated with Ron Pitzer, Extension Family Life Specialist, Rural Sociology, on family stress programming. They have produced videotaped talks and a film drama on a distressed farm family. Pauline's Extension writing and programming arises in part from participation, with Geraldine Gage, Family Social Science, in the regional study of stress management in mid-life families.

**Professionals in Outreach: Managing Stress in an Era of Change**

Serving the people of Minnesota has been and will continue to be one of the major objectives of the University of Minnesota Extension Service and its professional staff of county agents, specialists, and administrators. These professionals, however, are also faced with the ever-present challenges of serving many, responding to crises, anticipating the future, and facing competing demands in the face of limited resources and an ever-changing economic and social situation. While under stress, these professionals are able to cope, to manage, and to develop in this challenging situation. Conducted by the Department of Family Social Science, this research study was designed to document what stressors and strains they experience, as well as the coping strategies, appraisals, and adaptations county agents, specialists, and administrators make in an effort to provide outreach services to the people of Minnesota.

**Results**

Benefits to individuals and families

Critical support for fundamental farm business decisions. Extension's farm financial software, FINPACK, has enabled over 12,000 Minnesota farm families to analyze their farm businesses; 7,000 of these worked directly with county Extension staff. Each family reached by Extension received 2 to 16 hours of individualized consultation in a risk-free, confidential learning environment. FINPACK provided a framework for decision making by helping identify options based on the family's unique goals.

Reliable information about real problems. Information derived from university research on farm business, stress, and family resource management was presented to over 142,000 people in group meetings and individual consultations.

Realistic action strategies developed. Following contacts with Extension, over 6,900 people developed strategies to continue farming, about 1,500 planned to seek off-farm income, 730 decided to move out of farming, and 9,400 people worked to cope more effectively with stress.

Rural Minnesota better informed. Minnesotans who participated in Project Support activities were perceived as more prepared and informed than others when they sought additional help from financial and social service agencies. According to one bank loan officer:

> The borrowers who have previously been to the Extension office were much more in control and seemed to understand their situation much better....

Benefits to communities

Helping others help. Extension staff trained over 33,000 people in other community groups and

agencies. This training focused on farm financial analysis, stress management, teenage stress and suicide, and family resource management. People attending included: representatives from financial institutions, human service organizations, employment services, farm groups, and commodity organizations; vocational agriculture instructors; attorneys; business leaders; local government representatives; clergy; and farm advocates. Extension staff worked with an additional 26,500 people in communities to encourage the development and maintenance of community support networks.

**Extension Projects**

In addition to programs already mentioned in this section, the following programs are in place:

- Helping Others Cope with Change, a stress-management series of workshops for professionals in mental health, counseling, teaching, ministry, and social service
- Farm Couple Support Groups, for discussion with clientele about stress management
- Radio tapes designed to help families adjust to their changing environments and life-styles
- A four-part television series, titled "Living Resourcefully," that focuses on concepts of financial management, housing, noncash resources, and communications
- Volunteer Budget Consultants, Extension-trained consultants who provide families with household financial management information in one-to-one consultations
- Project Survive, a ten-week television series exploring the depth of human hardship caused by economic limitations of families
- County Task Forces, which organize to discuss the farm crisis and develop a plan of action for their counties
- Community Resource Directories, developed for farm families, which list agencies' names, addresses, functions, and telephone numbers
- Statewide Efforts in Agricultural Policy Education, which included: (1) a conference at Spring's Hill Center in Wayzata, where 250 bankers, community leaders, and educators gathered to update themselves on the national and Minnesota agricultural situation; (2) three community development workshops on "Agriculture and Economy of Northwestern Minnesota" which involved over 200 people, including representatives from farm organizations, lending institutions, churches, human services agencies, and farmers; (3) a Farm Family Awareness workshop at the Red River Valley Winter Shows, featuring work trade, agriculture, and small town impact topics; and (4) a series of small business workshops conducted in three locations in northeastern Minnesota, with at least 140 people in attendance.

**PEOPLE TO CONSULT FOR FURTHER INFORMATION**

Please contact the following people for more information on Minnesota's efforts:

FINPACK and Farm Financial Management:
Richard O. Hawkins, Professor and Extension Economist, Agricultural and Applied Economics
249C Classroom Office Building
St. Paul, 55108
(612) 373-1145

Family Stress in Middle Years (Support Groups)
Ron Pitzer, Extension Specialist
Rural Sociology
74 Classroom Office Building
St. Paul, 55108
(612) 376-3851

Family Stress
Pauline Boss, Associate Professor
Family Social Science
290 McNeal Hall
St. Paul, 55108
(612) 376-2455 and 373-1578

Values of Rural Families, Rural Church Project
Jim Krile, Research Fellow
Rural Sociology
64 Classroom Office Building
St. Paul, 55108
(612) 376-3854

Teens in Distress
Joyce Walker, Assistant Professor
Minnesota 4-H Youth Development
340 Coffey Hall
St. Paul, 55108
(612) 373-1083

Impact Study of Project Support
Kathy Mangum, Coordinator, Project Support
433 Coffey Hall
St. Paul, 55108
(612) 373-5168

Project Survive, Volunteer Budget Consultants, "Living Resourcefully," Radio Tapes on Life-styles
Irene Ott, Program Leader, Home Economics/ Family Living
48D McNeal Hall
St. Paul, 55108
(612) 373-1863

Studies on Extension Staff's Stress and Coping
Patrick J. Borich, Dean and Director, Minnesota Extension Service
240 Coffey Hall
St. Paul, 55108
(612) 373-1223

# Missouri Extension and Research Activities in the Rural Crisis

by John T. Pelham and Judy Heffernan

## INTRODUCTION

The current farm crisis continued to deepen in Missouri during 1985. The price of farmland declined 23 percent during the year. The total decline since 1981 is now more than 40 percent for the state. The declines in northern Missouri were even more severe. At the same time, prices for many of the grains produced in the state declined substantially during the year. The net result has been that a substantial number of farm families lost their farms during the year and another large group of farm families is facing major financial difficulty.

This has accelerated one of the major trends in agriculture during this century, that of a continuing decline in the number of farms. The trend toward fewer farms is not new, but recent conditions have brought the rate and amount of decline to the point that it has become a threat to many rural communities. Missouri had approximately 112,000 farms in 1982, less than half as many as the peak number in 1935. During 1985 it is estimated that about 5 percent of the commercial farms stopped farming operations in the state. The current forecasts are for at least that many farms to cease operations in the state in 1986.

The rate of decline was rapid during the 1950s and 1960s, but the numbers stabilized during the 1970s. Much of this earlier reduction in the number of farm families resulted from attrition as farm youth selected nonfarming occupations and the old folks retired. During times of unusual distress, such as now, when the "cost/price squeeze" has become so severe that farm families are faced with involuntary foreclosure and bankruptcy, many families are forced from farming in midcareer.

During five of the last seven years Missouri farm operators have experienced difficult weather conditions. Major droughts and floods have characterized four of these years. Some counties have experienced both problems in the same year. The 1985 cash-grain crop in the northern part of the state is a case in point. Early and midseason weather conditions were the most favorable in the past several years and a good-to-excellent crop was forecast. An extremely wet fall and early winter made it very difficult for farmers to harvest their crops in a number of counties. As late as December 20, it was estimated that 50 percent or more of the soybean crop and 20 percent or so of the corn crop was still in the fields in several counties in the north-central part of the state. Many farmers who might survive the larger economic problems described above are finding it difficult to cope with the additional hardships produced by the weather.

Not surprisingly, the farmers most vulnerable to the financial crisis are those with the largest debt-to-equity ratios. An analysis of recent data from the Missouri Mail-In Records Program grouped members into three categories on the basis of equity-to-value ratio. The top one-third had 91 percent or more equity in their farm, the middle group had 61 percent equity, and the bottom third had 27 percent equity. The group with the greatest equity-to-value ratio had an average cash income of $43,595. The middle category had $39,036 and the third category reported a net of $17,680. These figures do not include inventory changes or depreciation. When these are included the net profit was negative for two of the three categories. The highest equity category had a small positive return ($1,486), the second had a substantial loss (-$26,163), and the third even more (-$33,912).

In total, the annual net worth change was a substantial decline for all farm operators. The highest equity category lost $10,228, the second $49,747, and the third $51,377. Remarkably, the farmers in the third category appear to the most efficient producers by such traditional measures of efficiency as bushels of grain per acre or pounds of milk per cow. Percent equity and lack of income source diversification, rather than inferior production ability, seem to be the primary determinants of farm insolvency on some farms. This contradicts the common suggestion that the current farm crisis is the result of the free market weeding out poor managers.

In the fall of 1985, 2,146 responses from a randomly drawn sample of Missouri farmers were received. Forty-three percent of the respondents reported no farm debt. However, only 21 percent of the medium-sized farms and 13 percent of the large farms reported no debts. For each of the groups the percent of farms debt-free has declined for each of the last three years. Furthermore, 55 percent of the operators of large farms and 45 percent of the operators of medium-sized farms indicated that they were very concerned with the debt on their farming operation. Again, these figures are a substantial increase over the previous years.

Past polls have indicated that more than three-fourths of the young farmers (less than 45 years old) with large farm operations indicated that they were "very concerned" with the level of their farm debt. In general, the younger farm families and those without nonfarm income expressed the most concern.

The perceptions of farmers are quite consistent with the views of the financial community. Surveys of farm lenders in the state indicate that they expect as many as one-third of all northern Missouri farm operations to face involuntary liquidation in the next three years.

The financial community itself is in some difficulty. The situation of the Farm Credit System has been widely described in the media. A considerable number of Missouri farm banks are facing increasing financial difficulties. More banks failed in Missouri in 1985 than at any time since the depression of the 1930s. The FmHA took "into inventory" more than 120 farms in Missouri in 1985. The vast majority of these were through "voluntary conveyances." At present more than 3,000 farm operators in the state are behind in their loan payments.

The effect of the current crisis is not restricted to farmers and their lenders. Agricultural and consumer goods suppliers are also being affected. The Federal Reserve Bank of Kansas City reported last year a survey of Tenth District bankers that indicated 13 percent of rural nonfarm businesses were having severe financial troubles.

Many rural families are suffering from the crisis in ways that go far beyond farm finances. The suicide rate among Missouri farmers has increased markedly during the last three years. Other stress-related problems, such as marital difficulty, child abuse, and alcoholism, have been found to accompany the level of financial stress many Missouri farm families are now facing.

The impact of financial stress in agriculture varies across the state. It varies from region to region and from farm to farm, depending as much on local weather conditions during the last four years as on macroeconomic factors. Reports from the Extension field staff and other sources, however, indicate that the counties in the northern half of the state have a disproportionate number of financially distressed farms, although there are counties elsewhere in Missouri with problems just as severe.

It is misleading in one sense to call the current situation in these particularly distressed areas a farm crisis or even a farm family crisis. In these instances it is a crisis of the total rural community, a crisis resulting from factors largely beyond the control of the farm families or the rural population. Many of the affected farm families are good producers who have simply been caught with too much debt to service under existing economic conditions. As their equity in land and other assets has eroded and their debt has increased, cash-flow problems have mounted. Undoubtedly some will be unable to maintain their farming operations and will have to make a transition out of agriculture. Others may remain farmers if they act promptly in making the appropriate management decisions. Many nonfarm rural families in agriculture-related businesses are facing similar choices since there will be a ripple effect throughout the community that will negatively affect small businesses that rely in part on the success of the farm enterprise. Thus both farm and nonfarm families in rural Missouri face an increasing burden of economic hardship and personal stress.

It is important to recognize that the scope of the farm crisis situation is very broad and dependent upon the status of the United States economy. The Missouri Extension Service cannot solve the fundamental problems in United States agriculture. However, the program being offered by Extension represents a reasonable response and commitment to help the individual families and communities make more informed decisions and related adjustments to a changing agricultural environment.

The situation briefly described above is the context in which Extension and research activities oriented toward the rural crisis have been developed. The two sections which follow are descriptive, not completely inclusive, of the response of the University of Missouri and Lincoln University toward assisting farm producers, farm and rural families, and small communities in dealing with and overcoming these adverse circumstances.

## EXTENSION ACTIVITIES

A recent USDA report recognized the Missouri Cooperative Extension Service as one of the nation's most active in providing assistance to distressed farm families. Extension specialists representing the University of Missouri and Lincoln University have combined forces to develop a number of innovative strategies for meeting the rural crisis head on.

### MOFARMS Provides Financial Management Counseling

Instituted in the fall of 1984, MOFARMS is a not-for-profit corporation funded for two years through the Missouri Department of Agriculture and the University of Missouri to provide free financial counseling to farm families. Twenty-six consultants, mostly retired professionals with backgrounds in agriculture and finance, were trained at University of Missouri-Columbia to visit farm families in their homes and assist them in analyzing their financial situations. A toll-free hotline at the MOFARMS referral center received 633 calls, from farmers in 94 of Missouri's 114 counties, in its first six months of operation. To date more that 800 farm families have taken advantage of the service. Callers asked not only for financial assistance, but also for legal counseling, information on social services and educational and vocational training, and emotional support. When staff members were unable to answer requests directly, they referred callers to other sources. By November 1985 MOFARMS had provided individual consultation for more than 700 families.

### Community Support Groups Aid Emotionally Distressed Families

Increased incidence of suicide, divorce, and child abuse is an unfortunate byproduct of the farm crisis. The need to involve other local leaders and agencies in combatting farm families'

feelings of isolation and despair was recognized early by the Extension staff. Meetings organized by Extension specialists were held around the state to raise the awareness of ministers, Extension councils, farm organization representatives, homemaker club members, elected officials, lenders, and 4-H leaders. Linkages with these groups resulted in a variety of services, including presentations about stress and the movie "Country" as springboards for discussion, training for clergy, training for farmers and others in dealing with federal agencies, and emotional support groups. In northern Missouri, the area of the state hit hardest by the crisis, one Extension staff member helped a farm family with an FmHA appeal process. The appeal kept the family in its house and on its land for at least an additional year.

Support groups and Extension task force members also developed and produced more than 75,000 social service resource directories, which were distributed through church bulletins, bank statements, and Extension contacts. By November 1985 total participation in the community support groups was 2,675 persons at 61 meetings.

Extension not only helps people directly, but also helps Missourians help themselves by enlisting community sectors to aid each other during the rural crisis. Home economists in northwestern Missouri, for example, worked with local churches and other agencies to organize a free "stone soup supper" at the Maysville High School. Volunteers brought vegetables and prepared the soup. Local businesses and churches donated eating utensils. Families were encouraged to bring their favorite games and movies were provided for the children. An objective of the program was to create opportunities for families to come together and share in life's joys as well as its sorrows.

**Farmers Explore Alternative Income-Generation Projects**

The rural crisis has forced farmers accustomed to thinking only in terms of traditional sources of revenue, such as beef, hog, sheep, and soybean production, to consider new ways of generating income. To stimulate experimental income-producing activities, university Extension in 1985 funded six innovative proposals that brought fertile ideas to fruition. The projects, submitted by rural Missourians, included production of a special type of mushroom for consumption in domestic and foreign markets, a unique design for construction of a low-cost utility building, invention of a device to keep farm ponds free of ice, development of a rural secretarial service, and formation of a craft guild. The maximum funding for any project was $2,500.

One central Missouri recipient, Ron Macher, once a conventional livestock farmer, now raises catfish and prepares them for market in his newly converted machine shed. His processing plant is state-approved so he can sell his own produce and that of other fish farmers to restaurants and grocery stores as well as individuals.

As of November 1985 approximately 400 Missourians had been aided by university Extension in developing off-farm employment opportunities. Farmers' markets were created in 40 communities across the state. In southern Missouri a four-part training program called "Ozark Income Opportunities" addressed essential aspects of starting a new business.

Alternatives for the '80s

Under the banner of "Alternatives for the '80s," a multidisciplinary group from the University of Missouri-Columbia Colleges of Agriculture, Home Economics, and Public and Community Service, Lincoln University, and University of Missouri Extension began exploring a variety of ways to help rural Missourians develop alternative and supplemental income sources.

The home-based business project, designed to assist Missourians who want to establish income-producing businesses at home, began work on a craft catalog, "The Best of Missouri's Hands." The catalog will feature the juried works of 200 artisans and will be sold to galleries and to retail and wholesale buyers across the nation. Videotapes for use by would-be entrepreneurs on how to establish a home-based business, including marketing, record keeping, and legal considerations, also are being developed.

Another "Alternatives for the '80s" project, begun last year and continuing through 1986, explores the possibility of increasing the quantity and quality of alfalfa production in the state. In a related project early in 1985 an Extension team began work on alfalfa-pelleting operations.

Also in the planning stages is a project to increase forage-based beef production in Missouri. Since 90 percent of Missouri's beef cattle are sent out of state for finishing, raising lean, low-cholesterol beef cattle finished on forage rather than grain would considerably increase incomes for Missouri farmers.

In the early 1900s, Missouri was a leading producer of horticultural products. In these economically distressed times some farmers are again considering production of strawberries, blueberries, melons, grapes, and other fruits and vegetables as a cash-generating alternative. Under the direction of Lincoln University horticulturalists, a computer data base of research and production information is being developed as a resource for interested growers around the state. Demonstration test sites for horticultural products also are planned.

An alternatives referral center and clearinghouse, established in 1985, will become fully operational this year. A computer software package, to be distributed to Extension centers

and made available for purchase by individuals, will list myriad ideas for economic development used successfully by individuals and communities around the nation. In addition, a "Catalogue of Ideas" is being printed to guide groups through the process of exploring economic development alternatives in their communities.

**Employment Workshops**

In 1985 a series of 12 employment workshops, sponsored by an interdisciplinary team of Extension specialists in cooperation with community groups, offered help in personal skill assessment, resume writing, and interviewing. Counselors from the University of Missouri-Columbia Career Planning and Placement Center offered tips on networking and other job search skills. Panels composed of local employers shared their expectations of employees and employment prospects in their companies. The employment workshops were just one avenue of education offered by Extension specialists to aid victims of the farm crisis.

**RESEARCH ACTIVITIES**

The major research efforts of the University of Missouri that have focused directly on the impact of the rural crisis on families and communities have come primarily from the Department of Agricultural Economics and the Department of Rural Sociology. Related research is taking place in the School of Social Work, the College of Home Economics and the School of Medicine. A brief overview of some of the major research follows. Information on available reports and publication of results of the projects can be obtained by contacting the researchers listed.

**Department of Agricultural Economics**

Missouri Agricultural Finance Survey 1986
Professor J. Bruce Bullock--314-882-3545

The recent study of over 2,000 farmers and other studies by Bullock and his colleagues have sought to identify the number and characteristics of farmers and farms affected by the rural crisis. The data have been analyzed to show differences in impact by regions of the state, by principal farm enterprise and by age of the farmers.

**Food and Agricultural Policy Research Institute (FAPRI)**

Professor Abner W. Womack--314-882-3576

The Food and Agricultural Policy Research Institute (FAPRI) is a joint university project with the Center for National Food and Agricultural Policy at the University of Missouri-Columbia and the Center for Agricultural and Rural Development at Iowa State University.

In general, FAPRI has been involved on an active basis in major policy research at the national level. It has the capacity to quantitatively evaluate national and international economic factors that impact U.S. agriculture and the consequence of alternative farm policy and program proposals and different segments of the society.

Womack and his staff have provided both a detailed analysis of the present situation (who is affected, in what ways, to what extent are they affected, etc.), as well as projections for the likely length of the crisis given various sets of circumstances and/or policy implementations.

The numerous and timely reports produced by FAPRI are used by extension farm management specialists to help farm families evaluate their present and future situations. The reports and congressional testimonies have also been used in policy deliberations and for public education through the media.

**Department of Rural Sociology**

Professor William D. Heffernan--314-882-4563
Research Associate Judith B. Heffernan--314-882-7232

A study was done of the social, emotional, and psychological consequences for farmers and their families of being forced out of farming for financial reasons. In this first-of-its-kind study, the data were obtained during lengthy personal interviews with 40 of the 44 families identified as having been financially forced out of farming from January 1, 1980, to January 1, 1985, in a major agricultural county of the state.

The data showed extremely high levels of stress and depression in the families. The study documented the tremendous personal pain associated with losing the family farm that is experienced by the farm couple as well as their children of all ages.

Wide variations in support received by the families was noted. Without major assistance, between one-third and one-half of the families may never again be able to fully function as the productive members of society they once were.

**Missouri Farm and Rural Life Poll**

Professor Rex R. Campbell--314-882-6358
Professor William D. Heffernan--314-882-4563

This annual statewide poll with a response from over 2,000 farmers has focused on farmers attitudes, perception of the problems facing farmers and policy options farmers favor. Data have been collected over a three-year period on the farmers' concern with farm debt and farming plans for the next five years.

**College of Home Economics**

North-Central Region Committee 164
Professor David R. Imig--314-882-3025

A study conducted cooperatively in nine states looks at family stress in the middle years. While no attempt was made to focus on the rural crisis, results of this research are applicable to farm families under stress. Materials are being developed from this project for use by extension personnel who work with stressed families.

**Other Related Research**

Professor Marion Typpo--314-882-4649

Research by Typpo on families and especially children impacted by alcohol abuse and family violence is increasingly relevant as rural families under stress exhibit these reactions.

Professor Robert Weagley--314-882-6270

Weagley is beginning a long-term study of the financial behaviors of farming families.

**School of Social Work**

Professor Joanne Mermelstein--314-882-6206
Professor Paul Sundet--314-882-6206

Professors Mermelstein and Sundet are examining various aspects of rural social services evolving from the rural crisis. Attention has focused on the special needs professionals in mental health organizations perceive as resulting from the farm crisis and the resources needed to meet these special needs of a rural community.

**School of Medicine**

Professor Barry Kling--314-882-4105

Rural health delivery systems face many challenges as a result of population shifts and changes in technology. The current rural crisis leads to additional strains. Professor Kling is working with other health agencies to determine the consequences of the financial crisis in rural areas on the health of the people and implications for the delivery system.

# Short-term and Long-term Approaches to Easing the Farm Crisis: The University of Nebraska's Response

by Deborah Rood and John DeFrain

Nebraska has always been known as an agricultural state. It follows, then, that when agriculture is in a crisis so is Nebraska. In a survey conducted by the Nebraska State Department of Agriculture in January 1986, the average debt-to-asset ratio for farmers in the state was 34.3 percent. Twenty-three percent of Nebraska operators have a debt/asset ratio between 40 and 69 percent. Another 13.8 percent have a debt/asset ratio of over 69 percent. Of the respondents to the survey, 6.4 percent do not plan to operate in 1986 and 15.8 percent do not plant to operate in 1987.

This has a staggering impact on today's agriculture, as well as on the future of agriculture in Nebraska. The needs and problems that come to the forefront for individuals, families, and communities are as many and varied as there are people. While we feel that each family and each situation is different, there are projects that can provide basic information and help to these people.

It is hard to discuss the needs and problems of an individual without talking about the family. What touches the individual, be it a farmer, farm wife, or child, also touches the family. In Nebraska, the needs of individuals and families include financial planning, legal advice, stress management, communication avenues, emotional support, and transitional help when a family must leave farming. Communities are also seeing the impact that the farm crisis is having on main street business. Churches are seeing a decline in giving and a drop in attendance. Many rural people are feeling a sense of quiet desperation and have no idea of whom to turn to for help.

The farm crisis has also given people in farm management and human development that "teachable moment," so while we need to work with the families who are undergoing great financial stress, it is also an opportune time to work with families who may not be "feeling the heat" as much as others. The time is right to put into place good management practices that will have long-term benefits to agriculture in Nebraska.

The following report talks about the programs in Extension and the research projects underway at the University of Nebraska. The Extension programs are divided into two groups: short-term "emergency-type" programs, and long-term programs that will benefit families in the future as well as the present.

## SHORT-TERM OR EMERGENCY PROGRAMS

### Farm Financial Information Line

Farm and ranch families have two main methods of contacting the Extension Service when they need help. In addition to the traditional approach of contacting their local Extension agent, they can call the farm financial information line. This is a toll-free call for anyone in Nebraska. Since this line was opened September 3, 1984, over 3,000 calls have been received. Callers typically need additional information on the Managing for Tomorrow program, want a financial counselor to call on them, or have a financial question that can be answered on the phone.

### Farm and Ranch Financial Counseling

Financial counseling is provided free of charge to families who need immediate help in assessing their financial situation and evaluating alternative solutions to their problems. Four hundred fifty families were given assistance through this program from February to April 1985. Counselors assisted them in preparing balance sheets and cash-flow plans, evaluating alternative plans, and filling out FmHA loan application forms. Families appreciated this assistance, but most often they said they appreciated having an unbiased person to talk with about their farm business situation.

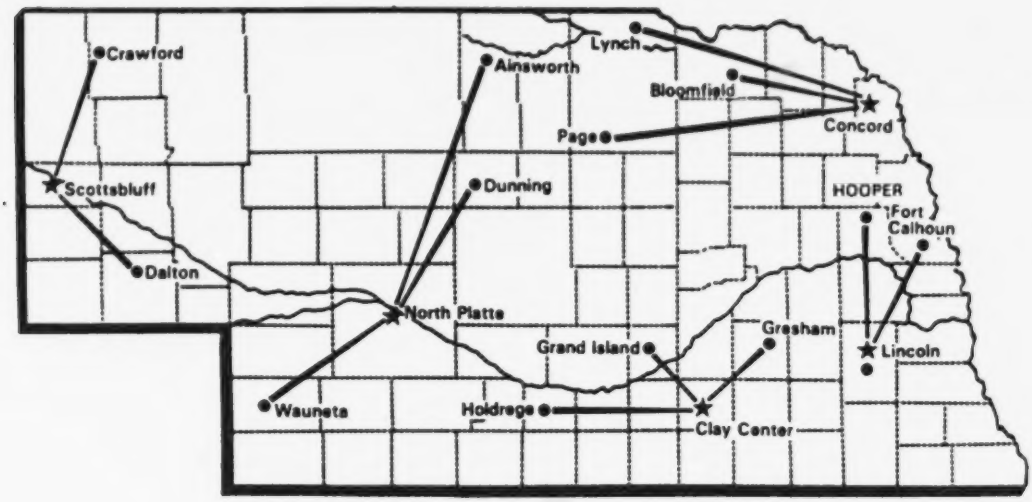
Funds for the variable cost of operating this program were provided by the Nebraska Department of Agriculture. Fourteen persons served as counselors. They worked from all five of the university's research and Extension centers as shown in Figure 1.

Following are some examples of how counselors met the needs of the farm and ranch families:

> A farmer was unsure of what his records were saying. Our counselor was able to assure him that he was interpreting them correctly.
>
> Another client was having difficulty getting an operating loan from his bank. After working with our counselor in putting together a financial package, the operating loan was approved.
>
> Many farmers and ranchers were looking for help in working with their lenders. Our counselors helped each work with their records and the producers felt that they were better prepared and had more numbers to back them up when they met with their lenders.

Figure 1:

# 1985 FARM FINANCIAL COUNSELING




★ RESEARCH AND EXTENSION CENTERS
● FINANCIAL COUNSELORS

Figure 2:

# FARM STRESS WORKSHOPS*

● 1984
★ 1985
■ 1986 PLANNED

*Includes training of Extension Agents and other professionals

In cases where the decision was whether a farmer would stay on the farm, a counselor helped them do a financial analysis of their operation and, just as importantly, gave them moral support in making a hard decision.

The Farm and Ranch Financial Counseling program is being offered again this winter. This program began December 1. Funds for the variable costs of the program are being provided by the University of Nebraska Foundation and it will again be available at no cost to farm and ranch families requesting the service. Ten of the fourteen counselors who served last winter will continue as financial counselors.

**Extension Staff Inservice Training**

One hundred thirty Extension agents in Agriculture and Home Economics participated in three days of intensive training in early October. The topic of the training session was "Dealing with the Farm Crisis." They gained skills in counseling and financial analysis through work with case studies. Response to this training was very positive and another two-day training session has been requested for December. Training sessions such as these are enhancing the skills of those who have been working with financially stressed families and giving basic training to those who feel they need some training before they work directly with families on their finances.

This redirection of Extension agent's efforts represents a major reallocation of existing resources. Agents are developing programs to address problems unique to their counties. Examples of activities planned for this winter include: teaching financial management and farm record keeping, developing and publicizing community resource inventories, encouraging the growth of support groups, and organizing a network of neighborhood hotlines. Dr. Lucas, Dean and Director of the Nebraska Cooperative Extension Service, has suggested to the county staff that at least 50 percent of their resources should be directed to helping farm and ranch families with financial management.

**Farm Stress Workshops**

As shown in Figure 2, Extension specialists have conducted numerous farm stress workshops during the past two years. Some of these sessions were specifically for training helping professionals (clergy, mental health workers, and Extension agents), who in turn work directly with people in rural areas. The majority of the sessions helped farm and ranch families recognize symptoms of stress overload and how they could develop skills for remaining in control of their lives. Since October 1983, 2,547 people have participated in these farm stress workshops; since October 1984 the number is 1,630.

Dr. Leon Rottmann, a Human Development and Health specialist in Cooperative Extension, has facilitated 270 stress-management workshops across Nebraska in the past decade--48 workshops last year alone. Rottmann reports the demand for such workshops is literally overwhelming.

**Assistance to Customers of Failed Banks**

Assistance was provided to clients of failed banks in eleven communities. Extension agents and specialists assisted families in preparing their "financial portfolios" for presentation to other lenders, filling out FmHA loan application forms, and evaluating alternatives for reorganizing their operations. A set of guidelines for an Extension agent's response to a bank closing were developed and distributed to agents in September.

**Nebguide Series on Legal Issues Relating to Financial Stress**

Drafts of six Nebguides are currently being reviewed. These guides address commonly asked questions about legal and tax problems associated with financial stress. Additional Nebguides will be added to this series. The purpose of this series is to provide an unbiased source of information on sensitive topics such as bankruptcy, tax implications of loan write-offs, property interests, and how to select a lawyer.

**LONG-TERM PROGRAMS**

**Managing for Tomorrow**

The Nebraska Cooperative Extension Service has developed a comprehensive education/consultation program to help families improve the long-term profitability of their farm or ranch business. Six hundred farm and ranch families participated in Managing for Tomorrow last winter. Managing for Tomorrow is continuing this winter.

The Managing for Tomorrow program is helping farm and ranch families develop long-term management strategies for survival and profit. Financial analysts instruct, encourage, and coach the families in evaluating their personal and financial situations. Family members jointly develop goals for their business and family. These goals become the measuring sticks for determining their success. This process was a valuable experience for many families. Comments such as, "We haven't talked about the farm this much in twelve years of marriage," and, "I had no idea my husband felt that way about the farm," were heard often. Following is a brief case history which demonstrates the value that goal setting had for one family:

A south central Nebraska farmer in his mid-50s was relating a story to illustrate his satisfaction with having participated in Managing for Tomorrow. A paraphrased version of his remarks is presented here.

My wife and I and our two single sons who are in their late 20s were enrolled in

Managing for Tomorrow. At the end of the first workshop, when nearly half the time had been spent on GOALS, I went home thinking that it wasn't worth going back. But I did go back, and at the end of the second workshop, when we had again spent nearly half the time working on GOALS, I went home convinced that I wouldn't go back. But I did go back, and all of us completed the four workshops.

The real story, though, is this. For the last several years the wife and I have just assumed that anything we wanted the boys were against, and that anything the boys wanted we would be against. As we worked on the GOALS, we came to realize that deep down we all wanted the same things and that we really were headed in the same direction.

Around our place it's been the most peaceful summer that we've had in years. And I'd recommend Managing for Tomorrow to anyone without qualification. Everyone in farming ought to be in it.

The goal-setting process was also valuable for families who found that it was necessary to scale down operations or to get out of farming. "The Managing for Tomorrow program helped us in establishing new goals and to maintain a positive attitude toward our transition," was a comment from one family who decided, after analyzing several alternatives, that they should not continue in farming.

Guiding families through the process of evaluating their human and financial resources takes time. Four all-day workshops, each a week apart, compose the first part of the program. Financial analysts then meet with families individually to guide them through the analysis of their personal situation. Managing for Tomorrow is an educational program. The goal of the program is to provide families with the tools and skills they need to repeat this planning and evaluation process on their own year after year. The financial analysts do not tell the families what to do. They help the families through a decision-making process. "We knew we had problems, but didn't know that we needed to take action immediately," was the comment from a family whose financial analysis showed that their $200,000 net worth was eroding at the rate of $50,000 per year.

The participating families pay a fee of $200 each. The actual cost of the program is about $1,000 per family. The remainder of the cost is paid from grant funds and reallocation of Extension staff resources. Grants have been received from state legislative appropriations, the Nebraska Department of Agriculture, and the Extension Service (ES)/USDA. We hope that grant funding will continue so that more families can take advantage of this program in years to come. We feel that this program will produce a positive impact on the Nebraska agricultural sector through the development of a core group of farm and ranch operators who will be "managing for tomorrow."

**Women in Agriculture--Building the Future**

Farm/ranch women are interested in taking a more active role in the management of farms and ranches. This became apparent in the evaluations received in the Managing for Tomorrow program. The women generally felt that they would like to learn some management skills in an environment which included other women like themselves. A conference was held in Kearney in September, "Women in Agriculture--Building the Future." The conference was planned for 100 persons. Two hundred eighty women attended, representing more than two-thirds of the counties in Nebraska. The interest in this type of conference was so great that Extension agents held six more conferences in their districts.

It is certainly logical for the farm/ranch woman to get involved in management. When we consider the wide range of management skills that are required in producing, financing, and marketing on a diversified farm, it is more than one person can stay on top of at all times. There are gains to be realized from division of management, just as there are from division of labor. These conferences are helping develop a valuable resource.

**Goals Conference**

Another outgrowth of the Managing for Tomorrow program was a conference in September in which 45 persons from 12 states and Canada came to Lincoln to be trained in the use of the goal-setting materials. The concept of helping families establish realistic goals as the first step in working with them is sound. The materials developed for the Managing for Tomorrow program are the most comprehensive and effective set of goal-setting materials that has ever been developed specifically for use by farm and ranch families.

Two states, Ohio and South Carolina, have held training sessions on the goals material taught by members of our Managing for Tomorrow staff.

**Farm Business Association**

The Cooperative Extension Service continues its sponsorship of the Nebraska Farm Business Association. This is a self-supporting group of 330 farm families who are dedicated to keeping records and using them for better management of their businesses. This program began in 1976 and continues to be a valuable resource for those enrolled. A consultant, hired by the families, works with each of them on analyzing and interpreting their records.

**Operation Shoebox**

Many families who participated in Managing for Tomorrow realized that they needed better records. They wanted to learn to do their own records. Operation Shoebox has been developed to meet this need and will begin in January 1986. It is a do-it-yourself records system. Instructors will provide instruction and computer resources for the families. The participating families will pay the variable costs of this program.

**Managing for Tomorrow II**

Many of the families participating in Managing for Tomorrow expressed a need for a continuing relationship with the program. There were areas of subject matter in which they would like additional training and they wanted an opportunity to update their analyses each year. A two-day program was offered to Managing for Tomorrow alumni in January. It gave them a refresher on goal setting, computerized financial analysis, and a day of instruction on marketing.

**Interactive Videodisc Instruction in Cash-Flow Planning**

Our staff is developing an interactive videodisc instruction program which is on the cutting edge of technology. The videodisc will teach farmers and ranchers how to develop and use a cash-flow plan. This project is funded with a grant from ES/USDA. The motion and color of the videodisc, combined with the capabilities of the microcomputer, make effective, realistic instruction possible at any time and place. Evaluations of previous instructional efforts with interactive video have shown that subjects learn faster and retain more than with live instruction. This, and possible future videodiscs, should make it possible for farmers and ranchers to learn and relearn procedures, like cash-flow planning, without the time and travel expense of Extension specialists. This is a long-run investment and is a national demonstration project. It is an example of the leadership role of the Nebraska staff.

**Tracking Household Expenses**

Dr. Kathy Prochaska-Cue, an Extension Family Economics specialist, has worked with the Ag specialists on their Managing for Tomorrow program and put together program ideas for better tracking of household expenses, cutting costs in time of crisis, and finding community resources.

**Home-Based Businesses**

Dr. Janet Wilson, a Consumer Education Extension specialist at the University of Nebraska-Lincoln (UN-L), has developed a workshop on starting a home-based business, and has presented her program at 20 different conferences all over the state of Nebraska. Farm women are especially interested in the program.

**RESEARCH**

**Building Family Strengths**

Under the direction of Dr. Nick Stinnett and other researchers in the Department of Human Development and the Family, 30 different master's theses and doctoral dissertations have focused on family strengths and strong families; 4,000 families, from every state in the United States, have participated in these studies. One recent study, by Dr. George Rowe and Dr. Herb Lingren, focused on the strengths and stresses of 500 rural families. The most significant finding of the family strengths research over the years has been the qualities of strong families: commitment, appreciation, communication, time together, spiritual wellness, and the ability to cope with stress and crisis.

The research is best summarized in a recently published book, Secrets of Strong Families (Boston: Little, Brown & Co.). The family strengths research at Nebraska and other universities was the subject of a recent congressional hearing before the Select Committee on Children, Youth and Families in the U.S. capital.

Dr. Herb Lingren, a Family Life specialist in Cooperative Extension, conducts four to five major conferences on building family strengths in Nebraska each year. The Department of Human Development and the Family also sponsors the National Symposium on Building Family Strengths in Lincoln each May, drawing several hundred presenters and participants from 35 to 40 states. Sister conferences on family strengths have been established at Pennsylvania State University and Pepperdine University in Los Angeles.

The family strengths research is seen as a long-term approach to enhancing the crisis-meeting resources of families.

**The Changing Structure of Rural Nebraska Communities: Evaluating Economic, Sociological, and Psychological Impacts from the Current Agricultural Crisis**

This research will evaluate the effects of the farm crisis on rural Nebraskans and their communities, and delineate possible longer-term structural changes occurring in rural communities. Faculty involved in the research project include: Dr. Bruce Johnson, Department of Agricultural Economics, UN-L; Dr. Duane Olson, Department of Agricultural Economics, UN-L; Dr. John Yanagida, Department of Agricultural Economics, UN-L; Dr. David Scott Hargrove, Department of Psychology, UN-L; and Dr. Richard Meile, Department of Sociology, UN-L.

**Family Strengths in the Middle Years**

Finally, it is important to mention the work of the North Central Regional Research Project (NC-164). The project has findings which are very germaine to those involved in trying to ease the farm crisis.

University-based researchers in nine states are in the final stages of a study on family stress in the middle years. More than 1,900 families responded to a 27-page questionnaire which looked at the stressors families faced and how they responded. The study is the largest of its kind ever undertaken and its preliminary results are worthy of serious study.

The research focused on intact families with husband, wife, and at least one child still living at home. The parents were in their middle years and children were about to leave home or had recently left. Past studies tended to focus on families with young children or families of the elderly.

This study dubbed the middle-aged parent "the sandwich generation" and found that it is difficult for couples in this period to find the time and energy for their own wants and needs.

Types of Stressors

The researchers studied families in Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, and Nebraska and found that the families who had large numbers of changes occurring during the last three years experienced higher levels of stress than other families. The families rated each type of change according to their perceptions of the stress they cause. Below is the ranking the 3,800 individual parents in 1,900 families gave to each stressor:

1. Family member involved with the courts
2. Family takes a major financial loss
3. Member experiences major emotional problems
4. Child has serious illness/accident
5. Major wage earner has serious accident/ illness
6. Marital separation
7. Death of adult brother or sister
8. Major wage earner loses/quits job
9. Death of husband or wife's parents
10. Aged parent becomes ill
11. Expenses exceed total family income
12. Relatives become intrusive

Both husbands and wives reported these events to be stressful, but they ranked the events in slightly different order: wives perceived family-related matters as more stressful, in general, while husbands saw job-related and financial concerns as more stressful.

The researchers found that stressors have an additive effect. That is, if they tend to pile up, one on top of the other, the final straw can break the camel's back. The higher the stressors pile up, the more likely a family is to experience emotional, relational, and health difficulties. In short, the more troubles we have, the more likely we are to become physically and emotionally sick. And our family relationships suffer because of the stress.

The researchers found that one typical scenario in the middle years goes like this: A family with teenagers experiences the typical adolescent problems we all can describe, including pimples, dating, busy schedules, and everyday worries. About the time the oldest youngster is to leave home and the family has to adjust emotionally and financially to move, a grandparent falls and injures a hip. This requires hospitalization and at least temporary placement in a nursing home. If a parent loses a job at this time due to an economic downturn, or the family business goes to pot, the family may feel overwhelmed by problems.

Stress-Related Symptoms

The middle-aged parents in the study were asked to report symptoms of stress they saw in themselves and in each child still living at home. The list below begins with the most common symptoms of stress and proceeds to the least commonly reported symptoms:

1. Irritability
2. Problems with weight
3. Muscle tension and anxiety
4. Use of prescription drugs
5. Difficulty relaxing
6. Use of tobacco
7. Depression
8. Headaches
9. Frequent colds or flu
10. Difficulty sleeping
11. Use of alcohol
12. Accident proneness

Parents generally reported more symptoms of stress than children. Wives reported more symptoms than husbands.

Financial Pressure

The data for the study were collected in 1982, mainly in the Midwest, and are still being analyzed. This was in the midst of an economic down-turn for the midwestern agricultural economy in general and the United States as a whole. Many families experienced financial pressures and developed a number of ways for saving money in tight times:

1. Eat at home more often
2. Spend less on entertainment and recreation
3. Spend less on clothing
4. Spend less on personal improvement
5. Spend less on laundry and dry cleaning
6. Do more clothing repairs and alterations
7. Seek less medical care

Other tips the families offered for saving money included: using store coupons more often, using self-serve gas, increasing spending for store refunds, buying on sale and specials, calling long distance at cheaper rates, home growing fruits and vegetables, increasing canning and freezing of foods, making gifts instead of buying them, servicing and repairing the car yourself.

Coping with Stress

The families were asked how they coped with the many life stresses in general. They ranked their stress-management techniques in descending order:

1. Attending church services
2. Sharing concerns with close friends
3. Facing problems head-on and trying to find solutions
4. Participating in church activities
5. Sharing difficulties and doing things with relatives
6. Seeking information and advice from the family doctor
7. Seeking information and advice from persons in other families who have faced similar problems
8. Asking for and accepting help from neighbors
9. Seeking help from community agencies and programs
10. Seeking professional counseling

The researchers concluded that physical and emotional problems can be indicators of high stress levels and if the signs appear in a family, people need to find help. First and foremost the researchers recommended talking. Don't try to do it all alone; it simply can't be done. Talk to other family members, to relatives, to friends. Counselors and support groups in the community can also be helpful. The researchers also stressed the importance of proper nutrition, adequate rest and sleep, plenty of exercise, and fun activities in what can get to be a dreary, repetitive life. (The source for this section was the North Central Regional Committee 164, Agricultural Research Service, U.S. Department of Agriculture, Washington, D.C. The material was adapted from a preliminary report by the Cooperative Extension Service, Iowa State University, Ames.)

## EXTENSION PROGRAMS AND RESEARCH PROJECTS FOR THE FUTURE

The possible areas of study and programming are limitless. In Nebraska we see a potential for a number of research projects and Extension programs. The future in Nebraska will include continuing the programs that we now have in place and, as funds allow, adding new programs and research projects.

The major research area that we see is a "rural refugee" study, dealing with displaced farm/ranch families. This study would look at how families cope with the stress of change, where they go for support, how they deal with reassessing their goals, and how they go about finding a job. This study could give us insight into dealing with the large number of families that will be displaced by this farm crisis. An interesting aspect could be the difference between states where displaced farmers have ready opportunities for employment within commuting distance and states where families will have to relocate to find work.

The effect of the farm crisis on communities needs to be researched. A program that helps assess the strengths and weaknesses of a community is needed. If a community can decide what their needs are and how they can meet them, they would then have goals that they could work toward.

In the area of Extension programs we see a great need in facilitating the sharing of solutions. In Nebraska we have found that farm families are their own best teachers. Families can be very creative in finding solutions on how to stay in farming, how to get back into farming once they have sold out, and how to adjust to life without farming. While we must continue to teach the basics of farm management to farm and ranch families, we also need to address the personal side with the help of people who have been through "the fire" and have come out on top with their family life and self-esteem.

The farm crisis has given us fertile ground for research and Extension programming. The topics discussed above are just a few of the pressing problems ag families are facing. Our resources do not permit us to do everything we would like to. We must set priorities and move on. Every day that we waste, another family is not helped. We must be aware of the human toll this crisis is taking and how we are impeding the process by not reaching out. Extension and research staff members need to work closely so that Extension specialists can use preliminary research results in helping families now. We must break down the old boundaries of waiting five to seven years for results; the cost is too high. We must use the knowledge that is gained the first year and the second year to help the families that are going through the process. Now is the perfect time to blend research and Extension together for the good of the families in the farm crisis.

# Coping with the Farm Crisis in North Dakota

by F. Larry Leistritz, Arlen Leholm, and Harlan Hughes

## INTRODUCTION

The farm debt, high interest rates, and the cost-price squeeze in agriculture have caused a financial crisis for many North Dakota farm families. Many farm families, as well as many families in rural towns, are faced with declining income and the related problem of inadequate family living incomes. North Dakota farmers and ranchers are facing their most severe financial crisis since the 1930s.

A 1985 telephone survey of randomly selected North Dakota farm and ranch operators identified key financial and demographic characteristics of farm operators and their families. Nine hundred thirty-three farmers completed the survey for a response rate of 77 percent. Initial screening questions were used to ensure that all respondents were less than age 65, were operating a farm, considered farming to be their primary occupation, and sold at least $2,500 of farm produce in 1984. Some of the findings of the survey are:

1. Seventy-two percent of the farms had gross incomes in the range of $40,000 to $250,000.

2. Although net cash farm income averaged $14,897, 24 percent of farm operators in North Dakota experienced zero or negative net cash farm income in 1984.[1]

3. Respondents' estimates of the value of their total assets as of January 1, 1985 averaged $423,042 and their debts averaged $139,870. The average North Dakota operator was carrying approximately 33 cents of debt for every dollar of assets he controlled.

4. At current prices, input costs, and asset values, most commercial farmers begin to experience difficulty meeting principal repayment commitments at debt-to-asset ratios (debt ratios) around 40 percent. Above 70 percent, most farmers have difficulty meeting even their interest payments and other current expenses. As indicated below, approximately 38 percent of the North Dakota farmers had debt ratios in the ranges generally associated with considerable financial stress.

| Debt-to-Asset Ratios | |
|---|---|
| No Debt | 16.7% |
| 1-40 percent | 45.2 |
| 41-70 percent | 23.4 |
| 71-100 percent | 14.7 |

5. The relationship between the debt-to-asset ratio and farm families' ability to meet cash-flow needs is summarized in Table 1. Two-fifths of all farm operators surveyed had levels of total family income which were insufficient to cover family living expenses. For farm operators with no debt, about 20 percent appear to be experiencing problems in meeting immediate cash-flow needs. Sixty percent of those with debt ratios over 70 percent are experiencing cash-flow problems.

   When principal payments were also taken into account (see bottom half of Table 1), more than half of the operators surveyed had income levels insufficient to cover operating costs, family living expenses, and principal payments. Of those with debt ratios over 70 percent, about 90 percent could not cover these cash expenses. It has been estimated that $375 million would have been needed in North Dakota alone to offset the shortfall experienced by these farm operators in 1984. The significance of this becomes quite apparent when one considers the fact that the current annual general fund budget for North Dakota is about $563 million (Leistritz et al. 1985).

6. The debt ratio is strongly associated with the age of the operator and the year that he started farming. Of the North Dakota operators with no debt, 60 percent are over age 55 and 82 percent are over 45. On the other hand, 67 percent of those with debt ratios over 70 percent are under age 45. Similarly, of the operators with no debt, 70 percent began farming before 1959, while about 64 percent of those with debt ratios over 70 percent began farming after 1969.

7. When the education levels of North Dakota farm operators and spouses are categorized by debt ratio, it is evident that the more highly leveraged families (who tend to be younger than average) generally have attained higher levels of education. This additional education should prove advantageous if and when these operators and their families consider leaving the farm for other employment.

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[1] Net cash farm income is defined as gross farm income less gross cash farm expenses and depreciation. Net cash farm income does not take into account principal payments or changes in inventory of grain and livestock products during the year.

8. A major concern to the public services in rural communities, such as school systems, is the impact that farm families leaving the community will have. The more highly leveraged farmers have above-average numbers of school-age children. If farm families from the more highly leveraged groups are forced to leave their rural communities, the reductions in school enrollments could be substantial.

9. Approximately 25 percent of the operators were employed off the farm in 1984 (Table 2). An association between off-farm work and the farm's debt ratio is obvious. The percentage of operators working off the farm ranges from 16 percent for farms with no debt to 36 percent for those with debt ratios over 70 percent. Similar patterns of off-farm employment were noted for farm operators' spouses.

**EXTENSION PROJECTS**

The objectives of North Dakota's Cooperative Extension Service's program in financial management are to help farmers and farm families better understand a broad range of management topics, including: financial management and decision making, risk management, enterprise analysis, determining costs of production, crop and livestock budgets, farm records, economic value of land, rental rates and leases, farm business organizations, partnerships, estate planning, income tax management, and other topics related to achieving farm and family goals.

Specific program emphases in farm financial management during the 1984/85 and 1985/86 Extension years were:

1. Two-day financial management workshops: Approximately 45 two-day and several one-day financial management workshops for farmers and farm couples were held over the state in the 1984/85 program year. Over 2,000 people attended these intensive workshops. Five two-man teaching teams were comprised of farm management, marketing, and community development faculty, and two area farm management agents. Thirty-one additional workshops were held in the 1985/86 program year.

   Major subject matter for these workshops included farm financial management, using the balance sheet, income statements and cash-flow budget, setting farm and family goals, and understanding family financial management.

2. Farm financial analyst program: In 1984/85 North Dakota's Cooperative Extension Service initiated the Farm Financial Analyst Program in response to the financial crisis on many North Dakota farms. Grant funds were received to help support the program which was implemented with the cooperation of the agricultural credit agencies. Fifty-six analysts were trained to work with farm families on an individual basis to help analyze farmers' financial situations and to identify alternative solutions to farmers' financial problems. The analysts worked with about 700 farm families, averaging 16 hours per farm family. This program is being continued in 1985/86 with approximately 50 analysts and we expect to serve over 1,000 farm families.

3. Farm and family goals and family financial management: This program was initiated in cooperation with the Extension Home Economics faculty. It includes emphasis on a procedure to encourage families to identify farm and family goals and to use family financial management to help achieve these goals. This was included as part of the two-day financial management workshops. Also, field staff were trained to conduct local meetings for farm couples.

4. One-day farm management, enterprise analysis, and credit use workshops: Workshops include enterprise budgeting, cost analysis, time value of money, coordinating management, and developing written marketing plans.

5. Farm records and analysis: County agent training on farm records were conducted so that these agents could teach farm records to local clientele and provide information on record keeping and analysis to farmers. A new record book was developed this past summer in cooperation with adult vo-ag staff. This new record book corresponds directly to the cash-flow record keeping and the financial analysis that was taught in the financial management workshops.

6. Annual two-day Northwest Farm Managers Conference: This annual event, which includes invited speakers on current farm management concerns, is implemented by research and Extension staff in cooperation with the Farm Managers Board of Directors.

7. Conferences with agricultural credit agency staff: Six conferences are held over the state each fall for agricultural credit staff from banks, PCA, FmHA, and Federal Land Banks. These are afternoon-evening sessions for discussion of financial conditions of farmers, commodity price outlook, and an overview of Extension programs on farm management and marketing.

8. Economic input for production agriculture programs: Cooperate with Extension staff in production disciplines for economic analysis of crop and livestock production practices.

## RESEARCH ACTIVITIES

Major research activities which have been undertaken to deal with the current financial crisis in North Dakota's agriculture are:

1. A telephone survey of randomly selected farm operators conducted March and April 1985 to identify key characteristics of farm operators and their families and to provide insights concerning (a) adjustments likely to be faced by the affected farm operators and their families and (b) impacts likely to be experienced by agriculturally dependent rural communities. Results from this study were summarized above and considerably more detail is available in several research reports and papers (Leholm et al., 1985; Leistritz et al., 1985).

2. A study of farm-dependent communities in North Dakota was initiated October 1, 1985 with partial support from the Agricultural and Rural Economic Division of the Economic Research Service, USDA. This research will focus on the relationships between the farm sector, the agribusiness sector, and rural communities, with special emphasis on the relationship between farm financial stress and community economic well-being.

3. North Dakota State University researchers have cooperated in analyzing results of the Farm Finance Surveys conducted by the Statistical Reporting Service (SRS) in cooperation with the North Dakota Department of Agriculture (Pederson et al., 1985).

4. A program of legal-economic research has focused on alternatives for financially stressed farmers. An early product of this work is a report on "Tax Implications of Liquidating a Farm Operation" (Saxowsky et al., 1985).

## CONTACT PERSONS

A. Research

1. Larry Leistritz (701-237-7455)
2. David Watt (701-237-7470)
3. David Saxowsky (701-237-7466)

B. Extension

1. Arlen Leholm (701-237-7379)
2. Harlan Hughes (701-237-7380)

Table 1. Cash-Flow Analyses by Debt-to-Asset Ratio, North Dakota

| | No Debt | 1-40% | 41-70% | 71-100% | Total |
|---|---|---|---|---|---|
| Simulation 1 | | | | | |
| Total farm family income less family living expense | | | | | |
| Average | $30,023 | $13,243 | $701 | $-5,258 | $10,102 |
| Distribution: | | | | | |
| Negative | 19.9% | 35.9% | 53.6% | 60.1% | 42.0% |
| 0 to $19,999 | 35.4 | 37.0 | 35.2 | 32.1 | 35.6 |
| $20,000 and over | 44.9 | 27.1 | 11.2 | 7.8 | 23.5 |
| Simulation 2 | | | | | |
| Total farm family income less family living expense and principal payments | | | | | |
| Average | $30,023 | $4,909 | $-19,510 | $-31,496 | $-2,075 |
| Distribution: | | | | | |
| Negative | 19.8% | 51.2% | 80.5% | 89.1% | 59.2% |
| 0 to $19,999 | 35.4 | 28.6 | 15.1 | 9.31 | 23.9 |
| $20,000 and over | 44.9 | 20.3 | 4.4 | 1.6 | 18.0 |

Table 2. Off-Farm Work Participation of North Dakota Farm Operators and Spouses by Debt-to-Asset Ratio

| | No Debt | 1-40% | 41-70% | 71-100% | Total |
|---|---|---|---|---|---|
| | ----------Percent---------- | | | | |
| Operator employed off the farm in 1984 | 15.7 | 22.3 | 27.9 | 36.2 | 24.6 |
| Spouse employed off the farm in 1984 | 21.0 | 30.3 | 34.6 | 38.0 | 31.0 |

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# Ohio Farm Financial Management Programs

by David R. Miskell and LeRoy Hushak

## INTRODUCTION

The farm financial crisis in Ohio is a major concern to farmers, agricultural lenders, rural community leaders, and many farm, civic, and religious organizations. The news media have devoted considerable attention to the farm crisis.

Weather conditions in Ohio since 1980 have had an impact; severe hail and wind storms one year and extremely dry hot weather during two other years hurt a number of farmers. Relatively low crop prices, increasing production costs, and deteriorating land values have forced a number of farmers to liquidate as of 1985.

Ohio has many part-time farmers; over 50 percent of the income to Ohio farmers comes from nonfarm sources. As a result, small part-time farmers may have a negative farm income, but the off-farm income subsidizes the farm operation and provides for family living expenses. Farmers in Ohio and/or their spouses have the opportunity to obtain off-farm employment without having to commute long distances. There are, however, several thousand farm families facing serious financial problems. This influences family relationships, including the attitudes of the children.

Although a few agribusinesses, including banks, have suffered losses due to farmers going bankrupt, there has not been a major problem with agriculture-related and dependent businesses.

Most farm organizations, and to a great extent church groups, have expressed concern over the farm situation. These organizations and groups are at a loss for what to do.

### Situation

A March 1985 survey revealed that among Ohio's approximately 22,000 family-sized commercial farms (gross annual sales $40,000 or above) approximately 10 percent or 2,200 farms were having extreme financial problems (debt/asset ratios above 70 percent) (Lines and Pelly, 1985]. Nineteen percent (4,700 farms) were having serious financial difficulties (debt/asset ratios of 40 to 70 percent). This indicated that approximately 71 percent or 15,600 farms had no apparent serious financial problems (debt/asset ratios under 40 percent). When all of Ohio's 90,000 census farms were included, 24 percent with non-real estate debt and 16 percent of those with real estate loans were delinquent in their payments. Three percent or 2,700 farms were involved in some type of legal action in connection with delinquent loans. Ohio's larger commercial farmers were experiencing much more stress than the smaller part-time farmers, as farms with debt/asset ratios above 40 percent range from 12 percent of farms under 100 acres to 59 percent of farms of 750-1,000 acres. The proportion of all Ohio farms with debt/asset ratios above 40 percent varied across different parts of the state; the eastern part of the state, where most of the small farms are located, had the lowest debt/asset ratios, whereas in the western, and particularly southwestern, part we found the highest debt/asset ratios.

A similar survey done in February 1986 indicated that there were approximately 20,000 farms with cash farm sales of $40,000 to $500,000. This implies there were 2,000 fewer commercial farmers one year later (Ohio Crop Reporting Service 1986). Of these 20,000 commercial farmers, 9 percent had debt/asset ratios exceeding 70 percent. Twenty-one percent had debt/asset ratios of 40 to 70 percent, and 70 percent of the farms had debt/asset ratios of under 40 percent. The survey also indicated that approximately 5 percent of all farmers in Ohio are planning to quit operating in 1986, 3 percent of them because of financial difficulties. The study also revealed that 4 percent or approximately 800 farmers are delinquent on real estate loan payments and 7 percent or 1,400 farmers are delinquent on their non-real estate loan payments. Based on this data, as many as 30 percent of Ohio's family-sized commercial farms are having serious cash-flow problems and 9 percent of these have extremely severe financial problems and are moving towards insolvency.

### Summary

The Extension Service in Ohio has launched an extensive farm financial management educational program over the past several years, starting with workshops on coordinated financial statements. This has been followed up with additional computer programs to assist farmers in better realizing where they stand financially with their farm operations. On March 1, 1985 a CES Farm Program, which included the creation of a toll-free hotline and the organization of "immediate response" teams, was set in motion to assist farmers facing financial crises. The CES Farm Program involved the county Extension agents, Agriculture, Home Economics, and Community and Natural Resource Development (CNRD), and district personnel working together with farm families who requested assistance either through their local county Extension office or through the hotline. The state task force gave leadership to the program and in each of the five Extension districts in Ohio a district task force was organized to coordinate activities within the Extension district.

A number of Extension educational and research efforts have been underway to assist farm families facing severe financial crises. These programs have been multi-disciplinary and have involved state, district, and county faculty working jointly with farm families who have their backs to the wall. Much of the Extension program was directed to the CES Farm Program, which involved one-on-one consultation with farm families. In addition, workshops were planned utilizing the FINPACK computer program to assist farm families needing a better understanding of their financial picture and possible alternatives available to them. The CES Farm Program has been given much acclaim and, as a result of the initial success of the program, the state legislature in Ohio appropriated funds primarily for what is known as a "credit mediation division" as a part of a Farm Financial Management Institute. The Farm Financial Management Institute has conducted three workshops which train agricultural lenders, county agents, and vocational agriculture teachers to assist farmers with better understanding their financial situation.

**EXTENSION FINANCIAL MANAGEMENT PROGRAMS**

Major Extension projects began with inservice training of Extension agents in the early 1980s. The coordinated financial statement was the central focus of the initial farm financial management program. It was critical that county Extension agents be able to aid farmers in preparation of a balance sheet in order to assist the farmer in knowing where he stood. Use of the coordinated financial statement was somewhat discouraging; workshops were held in many counties and attendance was poor. Nonetheless, many of the agents did work individually with a number of farmers as well as with small groups of farmers in an effort to help farmers determine their net worth. In October 1985, a two-day training session on the use of the FINLRB component of the FINPACK computer program was taught to approximately 70 county Agriculture Extension agents. A two-day follow-up session in December was held to assist agents in better understanding the FINFLO and the FINTRAN. In addition, several agents who did not attend the initial FINLRB training were given specialized training to equip them to work with farmers on the use of the FINLRB program. As a result of this training, a number of counties developed what is known as the "Managing for the Future" program. This involves four all-day sessions incorporating goals and needs assessment in addition to the FINPACK program. County agents, Agriculture, Home Economics, and CNRD, along with the district specialists, have given leadership to this training program.

Even with the designated group sessions, it was determined in February 1985 that additional efforts to help families facing severe crises were needed. As a result, the CES Farm Program was initiated on March 1, 1985. A toll-free hotline was installed at the university, and publicity was increased to encourage farmers to contact the local county Extension office for financial assistance. "Immediate response" teams were organized, consisting of three county Agriculture agents, one Home Economics agent, and district specialists in Farm Management, CNRD, and Home Economics. Five of these district teams served the state. In addition, a state task force provided leadership to the overall program.

In the first month of the program there were 398 calls for assistance, of which 286 were to the hotline. There were additional calls that went directly to county agents' offices and were never reported by some of the counties. A computerized program was set up to record all calls on which either the hotline or the local Extension office filed a report. These have been summarized to assist with an evaluation of the program. The toll-free hotline was publicized through a press conference and wide distribution of a brochure throughout the state. The statewide farm organizations were also used to alert farmers to the opportunity of seeking financial help through the CES Farm Program. In order to assist the immediate response team members with their county programs, special funding was provided to these counties to assist with hiring part-time help to replace the efforts of the county agents when they were involved with the CES Farm Program outside of the county.

Due to the success and recognition of the CES Farm Program, the state legislature in Ohio passed what was known as the "State Agricultural Bill." It included, among other things, a link deposit program whereby farmers were provided credit at approximately 3 percent under the going interest rate. The major portion of the bill which affected the Extension Service was the establishment of a Farm Financial Management Institute to provide training for agricultural lenders, Extension agents, and vocational agriculture teachers in assisting farmers. One provision for the Institute and the Cooperative Extension Service was to provide credit mediation on an optional basis for either lenders or borrowers that requested the voluntary mediation. A special training program was held to equip credit mediators for their responsibilities, since this was a new venture for Extension.

The Home Economics agents worked closely with a number of local agencies in providing counseling on stress management. A directory of various agencies available at the local level was prepared for each county and provided not only to the immediate response teams but also to all counties throughout the state. The agents working in CNRD provided assistance to communities by helping them identify some employment opportunities, potential impact of farm foreclosures, or other agribusinesses that may face bankruptcy.

The Ag Law Institute was established at The Ohio State University. The Institute faculty were instrumental in helping identify members of the bar who had experience or were interested in working with farmers who were facing legal problems. Although the Extension Service was not in a position to recommend any lawyers, we were able to identify lawyers who expressed interest in working with farmers on financial-legal problems. The Ohio Council of Churches and many

other farm organizations offered their assistance in trying to help identify farm families facing financial crises and referring these families to the Extension Service for consultation. Close working relationships were maintained with the Ohio Department of Agriculture, the Farm Credit System, and the Ohio Bankers, as these groups were vitally interested in providing whatever assistance was needed. The Farm Credit System and the Farmers Home Administration declined to participate in credit mediation. This did limit the effectiveness of the credit mediation. The primary success of the program was the ability of our Extension agents to sit down and work with the farm family to help identify options which they had regarding their delinquent payments.

In early 1986 the CES Farm Program brochure was revised and widely distributed along with posters to alert farmers to the opportunity of requesting assistance through the CES Farm Program. With nearly every county Agriculture Extension agent now trained to be more effective in farm financial management, fewer referrals are being made to the immediate response team. The local Extension agents are more active in working with farmers within the county. Confidentiality is maintained. At the farmer's request, he may work directly with an immediate response team member rather than the local agent. Most of the help provided through the CES Farm Program is done one-on-one at the time and place suggested by the farmer. Very little counseling is attempted by telephone.

## COMMUNITY ECONOMICS EXTENSION PROGRAMS[1]

Another means of assisting farmers in crises is through improved nonfarm employment opportunities in rural communities. CNRD Extension programs in Agricultural Economics and Rural Sociology (AERS) have focused on a broad range of public policies at the state, multi-county region, county, or community level. Since the goal has been to provide educational programs that assist rural people and communities, the emphasis has frequently been on programs and policies for nonagricultural industries. The economic well-being of many rural Ohio communities and the vast majority of many Ohio farm families requires a rapid expansion of the analysis and extension of community economic development issues, and especially of programs and policies related to nonagricultural industries.

There is relatively little attention given to the 26,000 agricultural firms outside farming. The potential contribution of AERS (and potential clientele and political support) for expanded programs in agribusiness management appears very large relative to the current audiences.

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[1]This section draws heavily on material provided by George W. Morse.

The four program thrusts of Extension educational programs are: (1) Attraction of New Industry, (2) Starting a New Business, (3) Retention and Expansion of Existing Firms, and (4) Economic Impact Analysis. Programs 1, 3, and 4 emphasize the role and activities communities can take in encouraging economic development. The participants for these programs are public officials and local economic development practitioners. Program 2 is focused on individuals wishing to start new businesses.

### Attraction of New Industry

This program, started in 1976, has reached the largest number of Ohio citizens (approximately 883). Since nearly all of these programs focus on community leaders, the number of citizens influenced by these educational programs is actually much larger than the direct participants. A large number of additional people have received publications and information with less depth than these major projects.

Two major educational events are used in this program: (1) Community Economic Development Correspondence Course and Seminar, and (2) Ohio Basic Economic Development Course. These courses focus on a wide range of topics necessary for local practitioners to develop a strong program for attracting new industry. The first course has a ten-week correspondence course followed by a two-day workshop. The second course is a five-day workshop accredited by the American Economic Development Council. These two workshops are sponsored by the Ohio Cooperative Extension Service in cooperation with the Chamber of Commerce Executives of Ohio, Ohio Banker's Association, Ohio Chamber of Commerce, Ohio Development Association, Ohio Economic Development, Ohio Planning Conference, Department of Development, and Ohio Development Financing Commission. A number of regional programs have also been conducted on how to attract new industry.

### Starting a New Business

This topic has been very popular during the last two years. Suggestions for encouraging entrepreneurship are given in Extension Bulletin 677 (Crawford, n.d.). Additional educational materials are supplied by the Small Business Administration and local businesspersons and professionals. A series of local workshops have been held starting home businesses. The fact sheet series "Starting a Business in Your Home" (Passewitz et al.) was developed.

### Retention and Expansion of Existing Industry

An educational program for the retention and expansion of existing industry was initiated in 1982. This local community program is aimed at improving the efficiency and profitability of existing industry. Through improved profits, the probability of growth and survival is enhanced.

A series of newsletters, a slide set, and two bulletins have been used to deliver the program. Although this program is in its early stages, approximately 1,500 persons have received information on the R and E program. Fifteen communities have started new ongoing development programs as a result of our educational work.

### Economic Impact Analysis

Two economic impact models have been developed for use in Ohio communities. These are: (1) The Ohio Job Impact Model (OJIM), and (2) Ohio County Input-Output Models (I-O). The OJIM model helps communities estimate the benefits and costs of using economic development incentives. This model has been used in six local case studies. Input-Output models have been used in three local case studies. These case studies, using these two models, are no longer being conducted through Extension because of their heavy resource requirements. Research projects using the input-output model will continue for state policy issues and agricultural policy questions or for local issues when funding is available for the research project.

### Efficiency in Delivery

Several steps have been taken to improve the efficiency of information delivery. First, the newsletter Economic Development Notes is being used to help create awareness of the program as well as to deliver specific educational items. While we mail only 500 copies per month, this newletter reaches nearly another 9,500 persons each month in the magazine Ohio Cities and Villages.

Second, the slide set "Retention and Expansion: Vanguard of Economic Development" is being used to provide information to community groups that are interested in retention and expansion topics. Groups that wish to have an opportunity for interchange are encouraged to use the telelecture units after showing the slide set. While every group and county agent would prefer to have state specialists or district specialists attend the meeting in person, this is not possible.

## ECONOMIC DEVELOPMENT RESEARCH

The Ohio State University faculty in AERS participated in several research efforts to facilitate nonfarm employment growth in rural areas. First, regional input-output models have been used to examine the economic linkages among the industrial sectors of regional economies. Several models of substate regions have been developed and used to estimate employment impacts (e.g., Hushak et al., 1983 and Ro et al., 1985). A current effort involves estimation of the economic impact of changes in agricultural sectors in a multi-state input-output model.

Second, econometric models of linkages between employment in county industrial sectors and local tax and expenditure policies, county demographic characteristics, and county location characteristics were estimated for the East North Central region of the United States (Aki et al. 1984). Finally, assessment of the effectiveness of local retention and expansion programs is ongoing in Ohio and in several other states (New Jersey and Wisconsin). Morse (1985) found that business visitation programs generated positive net payroll benefits over a sample of 20 programs.

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# Responses to Farm Crisis by South Dakota Institutions

by Ardelle Lundeen

## INTRODUCTION

### Overview of Crisis Situation in South Dakota

Headlines in South Dakota daily newspapers speak of farm auctions and foreclosures, the demise of small rural banks, and the ills of the Farm Credit System. Dan Rather brought CBS Evening News to South Dakota for three days to give national coverage to the farm crisis. All of this is appropriate since agriculture is the largest single industry in the state.

While no general survey of farm producers has been undertaken by researchers at South Dakota State University (SDSU), information gleaned from studies of credit conditions, farmland market trends, and farm bankruptcies indicates that the proportion of South Dakota farmers experiencing problems is similar to that found in most Midwest states.

For example, in some recent years farm production expenses exceeded cash receipts from farm marketings (USDA 1985). Farmland values have declined 34 percent from the 1981-82 peak. While the percentage decline may not be as great as that observed in some states, farmland prices had not inflated to the extent they had in those states. In real terms, farmland prices in mid-1984 had fallen to 1975 levels (Swinson and Janssen, 1985).

Declining farmland values contribute to the current financial stress. Buyers who purchased land during the late 1970s have had much--in some cases all--of their equity erased. They still must meet financing obligations which have remained the same. Without taking on any new debt, producers have seen their debt/asset ratio increase.

Another less-discussed, but equally worrisome result of declining farmland values, is the reduction in wealth for older landowners who relied on their equity in land to provide for their retirement years.

An increase in the quantity of land put on the market may further decrease land prices if most producers are not in a strong enough financial position to expand their holdings. The result may be more nonfarm investment in farmland.

Results of two farm lender surveys completed during November of 1984 and 1985 indicated that 24 and 25 percent, respectively, of farm borrowers were in the weak or inferior risk categories in each of those years. The position of producers varied among regions in the state during 1985 (Schmiesing, 1986).

Another indicator of the farm crisis is the increase in farm bankruptcies from 37 in 1981 to 193 in the first seven months of 1985. A continuation of the current rate for all of 1985 would mean an 800 percent increase from 1981 to 1985.

### Overview of Research and Extension Activities

Most of the research on the farm crisis is linked to ongoing long-term research projects funded by the Agricultural Experiment Station. Information relevant to the farm crisis has emerged from these projects and is being utilized by Extension and other personnel responding to farmers' needs.

Scientists in plant and animal research feel that ongoing research to improve productivity and lower costs is more important than ever in this time of financial crisis.

Some short-term research in the Economics Department has been undertaken in specific response to the farm crisis. The results of the surveys indicated areas where additional education is needed. The extent of the research undertaken is dependent on the availability of funds from outside sources, however.

The major thrust of Extension programs has been in the area of farm financial management, with some work in family stress, rural development, and family finances.

The South Dakota State Department of Agriculture has instituted two state-wide programs which are utilizing Extension personnel and skills. A hotline has been activated, which producers can call for counseling help. Individual counselors with farm management or ag lending experience have been trained, in part, by Extension specialists to meet with producers on a one-to-one basis to confidentially review the producer's situation. The counselors will provide information, support, and assistance in working with lenders.

The second major program has been titled "Rural Renaissance" and is an attempt to draw together sources of assistance for those who need help to remain in farming and for those who will be forced out and need assistance in making a transition to a new career. Assistance is provided by ongoing agencies such as vocational schools, employment services, mental health facilities, lawyers, and Extension personnel. The main contact points are the county Extension offices.

**Needed Research and Extension**

More specific information is needed on the financial condition of farmers, including data on debt/asset ratios, inability to secure financing for spring planting, farm foreclosures, etc. Very little work appears to have been done in researching family relations (e.g., divorce, abuse, depression). The effects on rural communities, both financial and social, are also areas of needed research.

Of particular need in Extension are personnel to work with family stress and rural development. An Extension Family Life specialist position remains unfilled and the Extension work in rural development is being phased out.

Surveys have also indicated an urgent need for marketing education by producers within the state. This is an area where research and Extension activities are being carefully coordinated and targeted. Initiatives are being taken to expand SDSU's work in this area.

The role of farm women remains undocumented and unresearched. To develop complete programs, work is needed in this area.

**EXTENSION PROJECTS**

One of the major programs instituted by Extension in 1985 was the FINPACK program, also called the "Planning for Tomorrow--Today" program. Workshops have been held in eight counties with about 50 couples participating. Workshops are scheduled in four more counties. Producers are encouraged to assess goals and priorities of the farm business, develop a goal-oriented management plan, analyze their financial position, and develop alternative operating plans for the future.

Several programs initiated in prior years are continuing. One such program deals with farm management, including farm business structure and organization. Programs include dealing with land and livestock lease and share arrangements to lessen capital outlay and risk positions of agricultural producers, as well as alternative machinery financing and acquisition offers. Additional specialist positions are being added in the farm management area.

Management "TIPS" meetings were cosponsored by the SDSU Cooperative Extension Service and agricultural lenders in 1984 and 1985. Extension specialists from marketing, finance, animal science, and agronomy addressed producer clientele in day-long meetings to emphasize the importance of management in all phases of agricultural production. The meetings were designed to stress what better management could mean in terms of "bottom-line" profits. Another title for these meetings was "How to Save $15,000."

Extension specialists in technical disciplines are conducting "how to" meetings dealing with specific topics such as seed varieties, pesticides, irrigation, etc. AGNET also offers help through a diversity of programs.

Marketing education is being carried out, although a recent survey by SDSU economists indicated that the predominant marketing technique used by South Dakota producers is that of cash marketing. "Beefed-up" programs to educate producers about marketing alternatives and analysis of marketing alternatives are being designed. Implementation is contingent upon funding.

Extension Home Economics specialists developed and piloted a program on "Your Home Business," which an Economics specialist later joined. The program was designed to aid in evaluating the economic feasibility and management aspects of starting home-based businesses, which farm and small-town families may be considering to supplement their farm incomes. Multi-county workshops covering the entire state were conducted. Newsletters and handouts were prepared and distributed (Dobbs 1985).

Economic development activities consisted of multi-county meetings, indepth workshops, and individual consultations. Many of the workshops were tied to the farm crisis concerns and possible impacts on small South Dakota farms and were titled "Small Town Economic Development Options." Participants included business persons, loan officers, farm and other community leaders, and concerned citizens.

Economics and Family Life specialists cooperated on programs on family stress. With a current vacancy in the Family Life specialist position, activity in the area has ceased.

The major thrust of Extension programs has been in farm management and related areas where the emphasis has been on families. Limited work has been conducted on community impacts.

**RESEARCH PROJECTS**

No large integrated research programs on the farm crisis currently exist at SDSU but a number of specific research projects are responding to the needs of the crisis. Much of the specific research is occurring in the Economics and Rural Sociology Departments. It is felt, however, that ongoing research in some of the other College of Agriculture and Biological Science Departments (e.g., Plant and Animal Science) may help producers become more efficient. I will outline some of the research efforts carried out at SDSU.

**Economic Research**

Within the past few years, the Economics Department has initiated projects in the area of finance, land prices, and bankruptcy.

Agricultural Lender Surveys

An initial survey in November 1984 and a follow-up survey a year later were sent to

commercial banks, Production Credit Associations, Federal Land Banks, and Farmers Home Administration county offices. The survey was designed to document credit evaluation procedures, financial warning signals, and management information needs of borrowers so that SDSU could tailor its programs to meet these needs most effectively.

Results of the 1984 survey showed that 24 percent of farmer and rancher borrowers were classified as being in a weak financial position and lenders believed that total debt had increased for almost half of their farm customers in that year (Schmiesing, 1985).

Lenders indicated that financial planning and marketing were skills most in need of improvement. Specific skills needing improvement included projecting cash-flow needs, enterprise profit and loss analysis, understanding financial statements, record keeping for decision-making, and marketing strategies. The approaches favored by lenders were workshops, management clubs, and one-to-one counseling.

Lenders stated that, of married borrowers, almost 60 percent of the wives kept the records. Indications also were that more than half of the records were inadequate for financial planning. These findings would suggest that a coordinated effort should be made to reach and/or include farm wives in financial and management training.

About 99 percent of the lenders agreed that farmers must be able to show that they have developed a farm financial management plan to repay debt if they wish to receive credit in the future.

The latest survey, undertaken in November 1985, showed that the financial condition of many South Dakota farmers and ranchers had deteriorated in the past year. Only slightly more borrowers were classified as in a weak financial condition than in the previous survey, but the percentage in the "superior" or "good" categories had declined by about 5 percent. About 7 percent of the farmers have liquidated their debt in the past year (Schmiesing, 1986).

The 1985 survey also showed that producers west of the Missouri River were in considerably worse financial condition than "East River" producers. "West River" has primarily livestock production and had been severely buffeted by drought and an early winter.

Lenders indicated they would not make either operating or real estate loans to "weak" borrowers, and some would not make loans to new customers in any category.

The results of the two surveys have been used to design and implement agricultural marketing management workshops and seminars.

Farmland Market Trends

Research on farmland market trends in South Dakota has been carried out on a statewide and regional basis. Results of the survey showed that farmland prices have declined for the past three years, with the average price per acre of land sold from January to June 1985 being 34 percent less than the price during the peak of 1981-1982 (Janssen 1985). Regions of the state fared differently, with the largest decrease occurring in the southeastern part of the state. Reasons for and implications of declining farmland prices were also analyzed.

A second ongoing project to analyze farm real estate developments in South Dakota has relevance for the farm crisis. The objectives of the research are to analyze (1) annual estimates of per acre agricultural land sale prices, (2) changes in farmland financing terms and conditions, and (3) impact of factors explaining market price of farmland. Relationships between farmland financing terms, real estate market prices, and debt repayment ability will also be examined. Insights provided by the research will be useful to farm lenders, individual producers, and farm management Extension personnel.

A project on land rentals is currently being initiated.

Farm Bankruptcy Proposal

Of direct relevance to the farm crisis is a research proposal to provide management information on farm bankruptcies through analysis of farm bankruptcy filings in South Dakota since 1983. Specifically, the objectives are (1) to determine the financial and other characteristics of farmers filing Chapters 7, 11, and 13 bankruptcy; (2) to examine the differences between approved and unapproved reorganization plans under Chapter 11; (3) to determine the time required from filing the reorganization plan approval, conversion, or dismissal under Chapter 11; (4) to examine characteristics of secured and unsecured creditors under Chapter 11 filings; and (5) to examine legal fees charged for Chapter 11 bankruptcy filings.

Research results will be made available to farm lenders and individual producers. Researchers are awaiting word on funding at this time.

**Rural Sociology Research**

A dissertation, which examined the role of the church during the farm crisis, has been completed in the Rural Sociology Department. The researcher focused on farm families and the extent to which churches mediated in order to relieve pressure and stress on the families. Peripherally, the role of neighbors and Extension personnel were also examined.

## Extension-Related Research

As part of Extension-related research, analysis of farmers' responses in FINPAK workshops will be undertaken shortly. Strategies undertaken or contemplated by participant farmers in those meetings will be used in counseling other farmers.

## SUMMARY

While SDSU has developed no large comprehensive programs to meet the farm crisis, much is being done through many specific ongoing programs. Farm management is an area of special focus but attention is also being given to families and to economic development for small towns. Additional information can be obtained from Extension Economics specialists at the Economics Department at SDSU.

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# Farm Crisis Response: University of Wisconsin-Madison Extension and Research

by Jess Gilbert and Glenn S. Thompson

## INTRODUCTION

The current farm crisis in Wisconsin stems directly from economic problems but has broad implications for individuals, families, communities, and the larger society. In 1981 the average farm debt-to-asset ratio for the state was 19 percent; by 1984 it had increased to 34 percent; and in January 1986 remained at 33 percent. Of the farms with debt, over one-fourth have a debt/asset ratio of 40 percent or more, with seven percent of those having a ratio greater than 69 percent. Younger farmers and dairy farmers tend to have higher ratios. Over four percent of Wisconsin farmers expect to quit farming in 1986, with ten percent more expecting to quit in 1987. The state lost an estimated 3,000 farms between 1984 and 1985. (The above data are from the Wisconsin Agriculture Reporting Service, "Agricultural Finance Survey," May 1984 and February 1986.)

The problems caused by the current crisis, however, are not adequately captured by statistics. Farm foreclosures and bankruptcies are on the rise. Individual and family stress has increased dramatically. Rural businesses are being hurt. Communities feel the strain. The current structure of agriculture may well be significantly changed by the present crisis. The University of Wisconsin (UW) at Madison is responding to the crisis on a number of fronts. This report summarizes the efforts of the University's Cooperative Extension Service (CES) and the College of Agricultural and Life Sciences (CALS).

Strategies on Survival (SOS) is a special CES educational program for Wisconsin farm families and agribusinesses facing financial distress. This major program thrust is designed to provide a comprehensive educational campaign that ties together the efforts of the four CES program areas--Agriculture/Agribusiness, Community Natural Resource and Economic Development, 4-H Youth Development, and Family Living Education. The program focuses on three key groups: farm families, agribusiness, and farm lenders. SOS teams, consisting of Extension agents and specialists and farm and family financial analysts, help individuals, families, agribusiness, and community groups through short-term and indepth counseling. Assistance is provided on a variety of problems, including farm and family finances, managing family stress, farm profitability alternatives, referrals to other agencies, and evaluating possibilities for off-farm income.

Researchers in the CALS have a number of projects related to the current farm crisis. The Department of Agricultural Economics recently released a report on the financial condition of Wisconsin farms; it estimates that between 2,000 and 7,000 farmers will liquidate for financial reasons in 1986. That department contributed significantly to the recent Governor's Commission on Agriculture. UW agricultural economists are also studying the effects of the crisis on family farmers and local communities. In addition, other departments in CALS (e.g., Agricultural Journalism, Landscape Architecture, Continuing and Adult Education) are investigating dairy farmers' policy preferences and comparative approaches to traditional dairy areas. Finally, the Department of Rural Sociology has several research projects relevant to the farm crisis: an historical analysis of the trade-offs between debt and tenancy in Wisconsin agriculture, a study of the contradiction between publicly-supported research that enhances productivity and federal price and income programs, and an examination of changes in farmland ownership and control. While CALS has begun to respond to the farm crisis with all of these research projects, it needs to encourage further research efforts that address long-term structural issues as well as immediate policy concerns of the people of Wisconsin.

## EXTENSION

In the late fall of 1984, Extension's CES program leaders, concerned with the deepening farm crisis, discussed ways CES could help affected Wisconsin citizens. The concern was generated by county Extension agents and statewide specialists who were receiving calls from farmers and ag lenders concerned about farmers who weren't servicing their debts. Farm suppliers called, nervous about overdue accounts. It wasn't just the chronic nonpayer; they said reliable paying customers weren't paying. Disturbing reports also came from the clergy. Some families weren't coming to church; they didn't want to show their faces in public. An estimated 6,000 farmers in the state were facing critical financial difficulty. Bankruptcy rates were increasing.

CES realized that individual farmers could not do much about some of the main causes of their financial problems. There was little a farmer could do on his own about the high interest rates which drive up operating costs, or about low commodity prices, or about the strong dollar that makes U.S. farm products too expensive for foreign buyers. At the same time, CES realized that farmers and agribusinesses can get involved in collective action through organizations and the political process to deal with these broader issues.

CES staff also realized there were steps the individual farmers could take to ease their financial stress. Part of the solution lay in ideas CES Agriculture/Agribusiness staff had been teaching all along--farm management and production ideas which could help farmers cut costs, increase efficiency, and improve profits. Just as important was family stress and budget information available from CES Family Living and 4-H Youth Development staff. Much could be done to ease the burden on agribusiness through the University Center for Cooperatives and the CES Small Business Development Center.

With this realization, CES, with its county and state faculty from four statewide program areas (Agriculture/Agribusiness, Community Natural Resource and Economic Development, 4-H Youth Development, and Family Living Education), undertook an ambitious educational program initiative entitled Strategies on Survival (SOS). The idea of the SOS program was to provide a comprehensive educational campaign that would coordinate the efforts of the four statewide program areas and help agents reach farm families, including those who hadn't taken advantage of CES programs in the past.

The SOS program focuses on three key groups: (1) Farm Families receive intensive one-on-one counseling and small group instruction. These programs focus on farms and family financial analysis and planning, managing debt, farm profitability, resolving conflicts and reducing stress, identifying sources of alternative income, and related topics; (2) Agribusinesses, a large sector of Wisconsin's rural economy which depends heavily on agriculture, are provided counseling and workshops on planning, marketing, cash flow, inventory, and related areas of business management; and (3) Agricultural Lenders receive programs focusing on farm business analysis, repayment capacity, farm production and marketing, family financial management, and related legal issues.

Prior to the initiation of SOS, faculty were devoting 25 percent of their planned time to economic improvement program efforts that fit the objectives of SOS. When staff developed their 1985-86 program plans, 44 percent of their total planned time was devoted to SOS-type programming. CES county-based faculty have been mobilized in team clusters encompassing two or three counties to offer a comprehensive range of educational services to farm families in need. Having staff from several counties working together has several advantages. The can share expertise, make more effective use of scarce resources such as microcomputers, and plan and implement larger-scale programs.

A number of actions have been initiated to implement the SOS program:

- In March and November 1985, three-day orientation/training workshops for 104 county and 50 campus-based Extension faculty focused on the background of the farm crisis, scope of planned SOS activities, and intensified training in farm business and family financial management, family stress, and counseling skills. Special training materials (SOS Handbook I) and 3,000 "Survival Kits" for use with farm families in one-on-one counseling were distributed to agents.

- A statewide communication group was organized under the leadership of the CES Agriculture/Agribusiness program area. The group was composed of representatives from CES; Farm Credit System; Wisconsin Department of Agriculture; Trade and Consumer Protection; Wisconsin Bankers Association; Wisconsin Board of Vocational, Technical and Adult Education; Wisconsin Department of Health and Social Services; and the Department of Industry, Labor and Human Relations. The goal was to develop communication linkages, share programs, and develop a systematic referral procedure.

- Farm or family financial analysts were hired in 15 clusters on an ad hoc basis to assist agents in working with farm families. Analysts' past experiences included work with Extension and leading institutions and as vocational/technical instructors and farm management consultants.

- Microcomputers were placed in the cluster offices for use in counseling farm families. FINPAK training was provided at May, September, and December workshops for county-based faculty.

- As part of a cooperative effort to develop a five-state agency resource directory, CES prepared lists of contacts in each county Extension office which provided help in six areas: farm financial management and farm profitability, family financial management, family stress and family support networks, youth-related concerns, community economic development, and alternative small business opportunities. A farm crisis info-line (telephone) was also established in cooperation with the Wisconsin Department of Agriculture Trade and Consumer Protection. The Department and CES are presently moving to employ legal counsel for the info-line operation. Attorneys are presently volunteering legal counsel to farmers needing services.

- Many educational materials have been developed or obtained for use in individual and group counseling sessions and workshops with farm families. They include eleven computer software programs, a series of videotapes on farm profitability and marketing, special counseling materials, six booklets related to increasing profits from specific farm enterprises, and a guide for organizing small group family education and support and action groups.

- A project proposal was submitted to Extension Service-USDA, CES was awarded a $55,000 grant to work with 10 pilot counties, and CES reallocated $185,000 of its existing budget for SOS programming.

- An administrative/program leader team was organized to coordinate ongoing SOS activities and to provide counsel to a large CES steering committee.

- In cooperation with the staff of Health and Human Services Outreach (UW-Madison), CES released the Neighbor-to-Neighbor program, a do-it-yourself guide for organizing Farm Family Education/Support Action Groups.

- A special quarterly reporting system is underway to document a profile of SOS counseling contacts, group teaching contacts, and organizational contacts.

**RESEARCH**

Researchers at the University of Wisconsin have conducted a number of research projects that deal with the current farm crisis. These projects are summarized below. All share the common theme of policy relevance even as they range widely in terms of approaches to and perspectives on the crisis.

In February 1986 the Department of Agricultural Economics and CES published a special report, Financial Status of Wisconsin Farming, 1986, edited by Edward V. Jesse. It offers economic analyses of the roots of the current problem (massive decapitalization caused by changes in macroeconomic policies) as well as its magnitude: an estimated 2.5 to 10 percent (2,000 to 7,000) of Wisconsin farmers will liquidate for financial reasons in 1986. Moreover, simulation analysis reveals the types of dairy farms most likely to survive. Not surprisingly, a high debt-to-asset ratio seems to be the best predictor of failure. Finally, the report analyzes the consequences of various possible solutions, including "doing nothing," tax and credit policies, transition programs out of farming, and federal farm program options ("free market" vs. production controls). Trade-offs between these alternative policies are mentioned, with no particular policy option being endorsed.

The twenty-two member Governor's Commission on Agriculture, which issued its final report in June 1985, was co-chaired by the Dean of Agriculture at UW-River Falls and included the Dean of UW-CES and a member of the Department of Rural Sociology, UW-Madison. Richard Barrows, of the UW-Madison's Department of Agricultural Economics, served as Executive Director of the Governor's Commission. Eight other Agricultural Economics professors and one Rural Sociology professor, worked as technical advisors to the commission. The final report, strongly supportive of a family farm system of agriculture, included recommendations in four general areas: (1) state agricultural policies (e.g., provision of operating credit, creation of an agricultural council, establishment of a direct marketing program); (2) state taxation policies (e.g., reform of the property tax system, farmland preservation tax credits, restrictions on tax-loss farming); (3) state rural development policies (e.g., creation of a state rural development council to coordinate such efforts); and (4) federal policy decisions (e.g., targeting benefits to family farms, not disadvantaging Wisconsin dairy farms under the federal milk marketing system).

The 1983 Wisconsin Family Farm Survey (n = 529) covered eight counties that are similar to 300 other U.S. counties regarding concentration in dairying, small-to-medium-sized farms, and family provision of labor and management. Directed by Priscilla Salant (Economic Research Service, USDA) and William E. Saupe (Agricultural Economics, UW-Madison), the survey is relevant to the current farm crisis in several ways. Salant and Saupe constructed a "viability ratio" to evaluate farm household financial well-being. It consists of total net family income from the farm plus all nonfarm income divided by the sum of three types of financial obligations (consumption, principal payments on farm loans, and capital replacement costs). Farm households with a ratio of less than 1.0 will be unable to meet financial obligations in the long run. Based on this measure, one-third of the entire sample were nonviable; 47 percent of the dairy farms were nonviable. These estimates are based on data for 1982, when the current crisis was just beginning. Salant and Saupe have used a simulation technique to predict how many of the survey farms would be both nonviable and technically insolvent in 1986; their estimate was over 11 percent of the farms. Further, Salant and Saupe have analyzed the survey data on five different types of farms: (1) those that expect to stop farming by 1988, (2) dairy farms, (3) nondairy, part-time farms, (4) nondairy, full-time farms with sales less than $20,000, and (5) nondairy, full-time farms with sales of $20,000 or more. For each type, they discuss public and private options.

Another agricultural economist, Mary McCarthy, is studying the implications and incidence of the current farm financial crisis on local economies in Wisconsin. The primary aim of this research is to examine the economic repercussions of changes in the farm sector on local rural and urban Wisconsin communities. This involves an analysis of county data on employment, income, and sales tax revenues, and 1982 Census of Agriculture data on farm-type income and employment. A secondary aim is to focus on the employment prospects of displaced farmers and their families in rural communities. This is to be facilitated by conducting a sample survey of displaced farm families in farm-dependent communities.

In late September and early October 1985, Mike Read (a graduate student in the Department of Continuing and Adult Education), along with Hernando Gonzalez and Len Maurer (both Agricultural Journalism professors), conducted a random sample survey (n = 557) of Wisconsin dairy farmers. The aim was to obtain their opinions concerning two divergent approaches to federal dairy legislation: free market vs. supply

management. Funded by the College of Agriculture and Life Sciences, the Cooperative Extension Service, agribusiness firms and farm magazines, the study went from initial conceptualization to final report in one month. The findings indicated that 64 percent of Wisconsin dairy farmers favored supply management, 25 percent preferred a free market approach, and 10 percent had no preference. In addition, 50 percent supported mandatory production quotas on U.S. dairy farmers, 22 percent "may be" in favor, and 28 percent opposed such controls. Read is currently continuing his research in the College of Agriculture and Life Sciences.

Herman Felstehausen (Natural Resources and Landscape Architecture, UW-Madison) has work underway that emphasizes comparative approaches to the rural adjustment and structural crises in the state. For example, the success in sustaining owner-operated dairy farms in Clark County, Wisconsin, is being compared with a matched county in New York State. Delaware County, New York, was very similar to Clark County, Wisconsin, in 1940. Since then, both counties show large losses in dairy farms, with Delaware County representing the advanced case. Most milk handling and processing plants have closed; some rural communities have become vacation and recreation centers. The key question is, will Clark County follow the same course or can an alternative dairy-based program be worked out in Wisconsin before the majority of the owner-operated units fail? A second area of Felstehausen's comparative work addresses the environmental and structural consequences of center pivot irrigation. Antelope County, Nebraska, is being studied as a "typical" center pivot irrigation county in that state. Antelope County is located away from the Platt River thus making it more diverse in agriculture and irrigation than valley farms. Irrigation impacts in Portage County, Wisconsin, will be compared with the Nebraska experience.

Pat Mooney, in work based on his dissertation in Rural Sociology at UW-Madison (1985), has developed an historical political-economic analysis of debt-and-tenancy cycles on Wisconsin farms. The 1930s presented U.S. agriculture as a whole with a "tenancy crisis." At that time, 42 percent of U.S. and 23 percent of Wisconsin farmers were full tenants, i.e., they owned none of the land they operated. Both nationally and at the state level tenancy declined steadily after 1940 to the low-point in 1974 (to 11 percent in the United States and 6 percent in Wisconsin). While the radical decrease of tenancy had a number of causes, it was accomplished in significant part by an increase in credit provided by the federal government (e.g., FmHA, FLB). The problem of tenancy, then, was "solved" by growing debt loads. At the same time, the decline in tenants was not accompanied by an increase in full-owner operators but rather by a rise of part-owner operators (who own some and rent some of the land they operate). Mooney's historical analysis raises the question of whether the current "debt crisis" may be "solved" by a rebirth of tenancy. Indeed, both the United States and Wisconsin have experienced a modest increase in tenancy (1-3 percent) along with a more rapid growth of part-owner operatorship (2-10 percent) since 1974. This recent rise in farm rentals has disproportionately affected younger farmers, who are more likely to be landless operators. Mooney examines both short-term options to the current farm crisis (higher price support, off-farm work) and long-term proposals. For instance, the fact that farmland is a commodity may be seen as a fundamental problem in the debt-tenancy cycle. One alternative to the current situation, then, would be to view land as a unique means of production that should not be an object of financial speculation. This policy option would entail restrictions on the land market such as exist in Western Europe.

Jack Kloppenburg (Department of Rural Sociology, UW-Madison) is examining the ways in which scientific research contributes to agricultural transformation. It appears that the public agricultural research system has tended to act in a contradictory fashion with certain other components of state intervention in agriculture. There is a fundamental contradiction in the relation between research-driven productivity advances and expenditures on price and income support programs. There is embedded in this relation a permanent tendency to fiscal crisis. The state cannot indefinitely increase its investment in research designed to provide new output-enhancing inputs if it must also underwrite the valorization of the increased output that those inputs produce. Kloppenburg is investigating ways in which agricultural research might be redirected from its current "output-enhancing" orientation to an "input-minimizing" emphasis. Such a redirection would slow the rate at which the "technological treadmill" is turning. While it is important to address the immediate problems facing farmers in the current crisis, it is also important to understand the structural roots of the problem.

Jess Gilbert (Department of Rural Sociology, UW-Madison) is presently investigating farmland tenure changes in Wisconsin. This project is an update of two township-level studies of tenure processes done in the 1940s. The objectives are to describe the changes that have occurred since World War II, to examine the separation of land ownership and control, and to discover the reasons that people own farmland. This research is relevant to the farm crisis in that it will focus as well on ownership changes in the 1980s, on managerial decision-making concerning the land, and on individuals' subjective meanings attached to land ownership.

**EXTENSION RESOURCE MATERIALS**

- SOS Handbook I (Agent Workshop I)

  Macroeconomics
  Farm Financial Management
  Stress Management
  Helping Skills

Community Helping Resources/Support Organization
Case Studies

- SOS Handbook II (Agent Workshop II)

  Equity Financing for Agriculture
  Lease vs. Purchase
  Machine, System and Crop Production Cost
  Managing the Farm--Dairy Feeding Strategies--Feed Cost
  Farm Enterprise Budgets
  FINLRB
  Managing the Financial Future of Your Dairy Farm
  Case Study Materials
  Self Assessment
  Cost of Food
  Life Insurance Learning Series
  Family Living Expense Planning
  Bankruptcy, Foreclosures
  Creative Financing
  Moving out of Agriculture
  Curriculum--Small Groups

- SOS Survival Kit--Designed to Help Agents Counsel

  Family Records
  Cash Flow Planning Guide
  Managing Farm Financial Future
  Building Emotionally Healthy Families
  Family Living Expenses
  Capital Debt Repayment Capacity
  Financial and Production Performance, Guide--Dairy Farm

- Enterprise Booklet--Designed to Help Farmers Increase Farm Profitability

  Dairy
  Forage Crops
  Sheep
  Beef
  Swine
  Grain Crops

- Farm Profitability Videotapes

  Pricing Standing Crops
  Feed Inventory--Quality and Quantity Considerations
  Grain By-Products in Dairy Rations
  Feeding the Dairy Herd when Forages are Limited
  Marketing Hay as a Cash Crop
  Grain Situation and Outlook
  Dairy Situation and Outlook
  Cattle Situation

- Family Living Videotapes

  Making Ends Meet
  Tracking Your Spending

- Microcomputer Software

  FINLRB
  FINTHAN
  Loan Calculator
  Partial Budget
  Badger Balance
  Total Mixed Ration
  Community Economic Analysis
  Food $$
  Decision-Maker
  Steps into Spending
  Additional computer software available via mainframe--WISPLAN Computer Service, 302 Hiram Smith Hall, 1545 Observatory Drive, Madison, WI 53706

- Counseling and Support Group Materials

  Neighbor-to-Neighbor
  Counseling Issues and Strategies
  Counseling Process Analysis

- Farmers Resource Guide--A County/Community-Based Information and Assistance Guide

- Agriculture Finance Survey--February 1986

Contacts for Resource Materials:

Robert E. Rieck
Associate Dean
Cooperative Extension Service
615 Extension Building
432 N. Lake Street
Madison, WI 53706
(608) 262-7965

Glenn S. Thompson
Asst. State Program Leader
Agriculture/Agribusiness, CES
637 Extension Building
432 N. Lake Street
Madison, WI 53706
(608) 262-7321

**RESEARCH RESOURCE PERSONS**

Richard L. Barrows
Dept. of Agricultural Economics
Henry Taylor Hall
427 Lorch Street
University of Wisconsin
Madison, WI 53706
(608) 262-6871

Herman Felstehausen
Dept. of Landscape Architecture
25 Agriculture Hall
University of Wisconsin
Madison, WI 53706
(608) 262-7922

Jess Gilbert
Dept. of Rural Sociology
350 Agriculture Hall
University of Wisconsin
Madison, WI 53706
(608) 262-9530

Edward V. Jesse
Dept. of Agricultural Economics
Henry Taylor Hall
427 Lorch Street
University of Wisconsin
Madison, WI 53706
(608) 263-4472

Jack Kloppenburg
Dept. of Rural Sociology
350 Agriculture Hall
University of Wisconsin
Madison, WI 53706
(608) 262-6867

Mary McCarthy
Dept. of Agricultural Economics
Henry Taylor Hall
427 Lorch Street
University of Wisconsin
Madison, WI 53706
(608) 262-9479

Mike Read
Dept. of Continuing Education
112 Teacher Education Bldg.
University of Wisconsin
Madison, WI 53706
(608) 263-1154

William E. Saupe
Dept. of Agricultural Economics
Henry Taylor Hall
427 Lorch Street
University of Wisconsin
Madison, WI 53706
(608) 262-9480

## North Central Region Rural Development Center

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Agricultural Experiment Station
UNIVERSITY OF MINNESOTA
St. Paul, MN 55108

Cooperative Extension Service
Agricultural Experiment Station
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Columbia, MO 65211

Cooperative Extension Service
Agricultural Experiment Station
UNIVERSITY OF NEBRASKA
Lincoln, NE 68583

Cooperative Extension Service
Agricultural Experiment Station
UNIVERSITY OF WISCONSIN
Madison, WI 53706

The North Central Regional Center for Rural Development programs are available to all potential clientoles without regard to race, color, sex, or national origin.

NORTH CENTRAL REGIONAL CENTER FOR RURAL DEVELOPMENT

IOWA STATE UNIVERSITY
of Science and Technology
216 East Hall
Ames, Iowa 50011